



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Morton County

Mandan, North Dakota

Audit Report for the Year Ended December 31, 2020

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Office of the
State Auditor

MORTON COUNTY

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MORTON COUNTY

County Officials and Audit Personnel
December 31, 2020

COUNTY OFFICIALS

Andrew Zachmeier
Nathan Boehm
Raymond Morrell
Ron Leingang
Jackie Buckley

Commissioner – Vice Chairman
Commissioner
Commissioner
Commissioner
Commissioner

Dawn Rhone
Kari Hatzenbuhler
Allan Koppy
Kyle Kirchmeier
Nancy Seefeldt
Mike Heilman

Auditor
Treasurer
States Attorney
Sheriff
County Recorder
Superintendent of Schools

AUDIT PERSONNEL

Heath Erickson, CPA
Brian Hermanson

Audit Manager
Audit In-Charge

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Morton County
Mandan, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Morton County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County, Mandan, North Dakota, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other 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 expenditures of federal awards and notes to the schedule of expenditures of federal awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements.

The *schedule of expenditures of federal awards and notes to the 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 expenditures of federal awards and notes to the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

MORTON COUNTY

Independent Auditor's Report - Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2021 on our consideration of Morton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morton County's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
July 22, 2021

MORTON COUNTY
Statement of Net Position
December 31, 2020

	Primary	Component Units	
	Governmental Activities	Morton Co. Water Resource District	Lower Heart Water Resource District
ASSETS			
Cash and Investments	\$ 18,065,898	\$ 1,607,343	\$ 527,876
Restricted Cash & Investments	2,484,931	1,461,996	-
Accounts Receivable	512,177	162,414	-
Due from County Treasurer	-	414	-
Intergovernmental Receivable	852,156	-	-
Prepaid Expense	12,140	-	-
Other Receivables	-	3,477	-
Taxes Receivable	183,357	2,136	6,134
Special Assessments Receivable	552,594	38,701	-
Capital Assets, Net	78,044,303	19,059,183	1,188,128
Total Assets	\$ 100,707,556	\$ 22,335,664	\$ 1,722,138
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pensions & OPEB	\$ 12,142,171	\$ -	\$ -
Total Assets & Deferred Outflows of Resources	\$ 112,849,727	\$ 22,335,664	\$ 1,722,138
LIABILITIES			
Accounts Payable	\$ 1,085,742	\$ 53,083	\$ 19,375
Salaries and Benefits Payable	674,911	1,661	-
Retainage Payable	-	66,055	-
Interest Payable	55,484	69,210	-
Long-Term Liabilities			
Due Within One Year			
Long Term Debt	1,085,910	143,283	17,592
Compensated Absences Payable	103,737	14,805	-
Due After One Year			
Long Term Debt	10,053,379	2,981,481	-
Compensated Absences Payable	933,629	34,546	-
Net Pension & OPEB Liability	18,935,757	-	-
Total Liabilities	\$ 32,928,549	\$ 3,364,124	\$ 36,967
DEFERRED INFLOWS OF RESOURCES			
Taxes Received in Advance	\$ 2,695,417	\$ -	\$ -
Derived from Pensions & OPEB	2,860,050	-	-
Total Deferred Inflows of Resources	\$ 5,555,467	\$ -	\$ -
Total Liabilities & Deferred Inflows of Resources	\$ 38,484,016	\$ 3,364,124	\$ 36,967
NET POSITION			
Net Investment in Capital Assets	\$ 66,905,014	\$ 15,865,210	\$ 1,188,128
Restricted			
Debt Service	3,224,044	109,601	-
Capital Projects	434,093	-	-
Public Safety	508,474	-	-
Highways & Public Improvement	1,034,679	-	-
Culture and Recreation	306,145	-	-
Conservation of Natural Resources	391,005	-	497,043
Emergencies	512,646	-	-
Economic Development	19,721	-	-
Dam Maintenance	-	141,789	-
Unrestricted	1,029,890	2,854,940	-
Total Net Position	\$ 74,365,711	\$ 18,971,540	\$ 1,685,171

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

MORTON COUNTY

Statement of Activities

For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary GoVt	Component Units	
					Governmental Activities	Morton Co. WRD	Lower Heart WRD
Primary Government							
Governmental Activities							
General Government	\$ 5,201,662	\$ 688,071	\$ 2,624,002	\$ -	\$ (1,889,589)	\$ -	\$ -
Public Safety	7,841,363	1,105,194	111,450	-	(6,624,719)	-	-
Highways & Public Improvement	7,027,596	60,633	3,030,219	26,880	(3,909,864)	-	-
Health and Welfare	4,656,855	30,205	3,787,668	-	(838,982)	-	-
Culture and Recreation	617,248	171,333	84,095	-	(361,820)	-	-
Conserv. of Natural Resources	609,835	12,338	83,365	-	(514,132)	-	-
Economic Development	125,905	-	33,888	-	(92,017)	-	-
Interest on Long-term Debt	908,917	-	-	-	(908,917)	-	-
Bond Issuance Costs	34,265	-	-	-	(34,265)	-	-
Total Governmental Activities	\$ 27,023,646	\$ 2,067,774	\$ 9,754,687	\$ 26,880	\$ (15,174,305)	\$ -	\$ -
Component Units							
Morton Co. Water Resource	\$ 3,010,266	\$ 2,401,624	\$ 960,236	\$ -	\$ -	\$ 351,594	\$ -
Lower Heart Water Resource	68,921	-	90,866	-	-	-	21,945
Total Component Units	\$ 3,079,187	\$ 2,401,624	\$ 1,051,102	\$ -	\$ -	\$ 351,594	\$ 21,945
General Revenues							
Property taxes					\$ 10,592,987	\$ 140,890	\$ 386,350
Sales taxes					1,780,968	-	-
Unrestricted State Revenue					2,348,189	-	-
Interest Earnings					-	26,354	111
Earnings on Investments					213,888	-	-
Gain (Loss) on Sale of Capital Asset					10,583	(5,615)	-
Miscellaneous					525,153	147,736	15,238
Total General Revenues					\$ 15,471,768	\$ 309,365	\$ 401,699
Change in Net Position					\$ 297,463	\$ 660,959	\$ 423,644
Net Position - January 1					\$ 74,534,349	\$ 18,310,581	\$ 1,261,527
Prior Period Adjustment					\$ (466,101)	\$ -	\$ -
Net Position - January 1, as adjusted					\$ 74,068,248	\$ 18,310,581	\$ 1,261,527
Net Position - December 31					\$ 74,365,711	\$ 18,971,540	\$ 1,685,171

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

MORTON COUNTY
 Balance Sheet – Governmental Funds
 December 31, 2020

	Major Funds				
	General	Special Revenue Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
ASSETS					
Cash & Investments	\$ 7,759,722	\$ 9,593,005	\$ 279,078	\$ 434,093	\$ 18,065,898
Restricted Cash & Investments	-	-	2,484,931	-	2,484,931
Accounts Receivable	200,339	311,838	-	-	512,177
Intergovernmental Receivables	430,076	422,080	-	-	852,156
Interfund Loan Receivable	-	587,000	-	-	587,000
Prepaid Expense	11,179	961	-	-	12,140
Taxes Receivable	137,304	46,053	-	-	183,357
Special Assessments Receivable	-	-	552,594	-	552,594
Total Assets	\$ 8,538,620	\$ 10,960,937	\$ 3,316,603	\$ 434,093	\$ 23,250,253
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Accounts Payable	\$ 573,104	\$ 512,638	\$ -	\$ -	\$ 1,085,742
Salaries and Benefits Payable	595,558	79,353	-	-	674,911
Interfund Loan Payable	-	587,000	-	-	587,000
Total Liabilities	\$ 1,168,662	\$ 1,178,991	\$ -	\$ -	\$ 2,347,653
Deferred Inflows of Resources:					
Taxes Receivable	\$ 137,304	\$ 46,053	\$ -	\$ -	\$ 183,357
Special Assessments Receivable	-	-	552,594	-	552,594
Taxes Received in Advance	1,909,961	748,381	37,075	-	2,695,417
Total Deferred Inflows of Resources	\$ 2,047,265	\$ 794,434	\$ 589,669	\$ -	\$ 3,431,368
Total Liabilities and Deferred Inflows of Resources	\$ 3,215,927	\$ 1,973,425	\$ 589,669	\$ -	\$ 5,779,021
FUND BALANCE					
Non-Spendable					
Prepaid Expense	\$ 11,179	\$ 961	\$ -	\$ -	\$ 12,140
Loans Payable	-	587,000	-	-	587,000
Restricted					
Debt Service	-	-	2,726,934	-	2,726,934
General Government	-	318,352	-	-	318,352
Public Safety	-	3,213,111	-	-	3,213,111
Highways & Public Improvement	-	3,297,122	-	-	3,297,122
Emergency	-	512,646	-	-	512,646
Health and Welfare	-	615,525	-	-	615,525
Culture and Recreation	-	537,221	-	-	537,221
Conservation of Natural Resources	-	454,127	-	-	454,127
Economic Development	-	19,721	-	-	19,721
Capital Projects	-	-	-	434,093	434,093
Unassigned					
General Fund	5,311,514	-	-	-	5,311,514
Negative Fund Balances	-	(568,274)	-	-	(568,274)
Total Fund Balances	\$ 5,322,693	\$ 8,987,512	\$ 2,726,934	\$ 434,093	\$ 17,471,232
Total Liabilities and Fund Balances	\$ 8,538,620	\$ 10,960,937	\$ 3,316,603	\$ 434,093	\$ 23,250,253

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

MORTON COUNTY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
December 31, 2020

Total Fund Balances for Governmental Funds \$ 17,471,232

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. 78,044,303

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

Taxes Receivable	\$ 183,357	
Special Assessments Receivable	<u>552,594</u>	735,951

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

Deferred Outflows Related to Pensions & OPEB Items	\$ 12,142,171	
Deferred Inflows Related to Pensions & OPEB Items	<u>(2,860,050)</u>	9,282,121

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

Long-Term Debt	\$ (11,139,289)	
Interest Payable	(55,484)	
Retainage Payable	-	
Compensated Absences	(1,037,366)	
Net Pension & OPEB Liability	<u>(18,935,757)</u>	<u>(31,167,896)</u>

Total Net Position of Governmental Activities \$ 74,365,711

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

MORTON COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Year Ended December 31, 2020

	Major Funds				Total Governmental Funds
	General	Special Revenue Fund	Debt Service Fund	Other Governmental Fund	
REVENUES					
Property Taxes	\$ 7,459,689	\$ 3,193,004	\$ -	\$ -	\$ 10,652,693
Sales Taxes	-	-	1,780,968	-	1,780,968
Special Assessments	-	-	130,895	-	130,895
Intergovernmental Revenues	2,457,477	9,504,948	1,881	138,573	12,102,879
Charges for Services	575,374	1,385,268	-	-	1,960,642
Licenses, Permits, & Fees	89,446	17,685	-	-	107,131
Interest Income	212,621	-	1,267	-	213,888
Miscellaneous Revenues	425,811	88,202	11,138	-	525,151
Total Revenues	\$ 11,220,418	\$ 14,189,107	\$ 1,926,149	\$ 138,573	\$ 27,474,247
EXPENDITURES					
Current					
General Government	\$ 3,980,003	\$ 203,706	\$ -	\$ 16,430	\$ 4,200,139
Public Safety	6,156,659	1,571,012	-	90,739	7,818,410
Highways & Public Improvements	-	5,499,921	-	-	5,499,921
Health and Welfare	-	3,851,332	-	-	3,851,332
Culture and Recreation	-	573,590	-	-	573,590
Conserv. of Natural Resources	104,300	445,308	-	-	549,608
Economic Development	-	125,905	-	-	125,905
Capital Outlay	-	681,118	-	45,149	726,267
Debt Service					
Principal	-	53,890	1,034,470	-	1,088,360
Interest and Service Charge	-	4,443	384,806	-	389,249
Total Expenditures	\$ 10,240,962	\$ 13,010,225	\$ 1,419,276	\$ 152,318	\$ 24,822,781
Excess (Deficiency) of Revenues Over Expenditures	\$ 979,456	\$ 1,178,882	\$ 506,873	\$ (13,745)	\$ 2,651,466
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	\$ -	\$ -	\$ 8,468,000	\$ -	\$ 8,468,000
Bond Discount	-	-	(74,009)	-	(74,009)
Proceeds from Sale of Capital Assets	-	37,812	-	-	37,812
Payment to Refunded Bond Escrow Agent	-	-	(7,767,548)	-	(7,767,548)
Debt Issuance Costs	-	-	(34,265)	-	(34,265)
Transfers In	-	5,396,519	4,215,037	50,000	9,661,556
Transfers Out	(550,835)	(4,316,400)	(4,794,321)	-	(9,661,556)
Total Other Financing Sources (Uses)	\$ (550,835)	\$ 1,117,931	\$ 12,894	\$ 50,000	\$ 629,990
Net Change in Fund Balances	\$ 428,621	\$ 2,296,813	\$ 519,767	\$ 36,255	\$ 3,281,456
Fund Balance - January 1	\$ 4,894,072	\$ 6,690,699	\$ 2,673,268	\$ 397,838	\$ 14,655,877
Prior Period Adjustment	\$ -	\$ -	\$ (466,101)	\$ -	\$ (466,101)
Fund Balance - Jan. 1, as Restated	\$ 4,894,072	\$ 6,690,699	\$ 2,207,167	\$ 397,838	\$ 14,189,776
Fund Balance - December 31	\$ 5,322,693	\$ 8,987,512	\$ 2,726,934	\$ 434,093	\$ 17,471,232

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

MORTON COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 3,281,456

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 2,608,273	
Depreciation Expense	(3,109,332)	
Amortization of Intangible Assets	<u>(24,712)</u>	(525,771)

In the statement of activities, only the gain on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.

10,583

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

Net Change in Compensated Absences Payable	\$ 377,061	
Net Change in Retainage Payable	224,649	
Net Change in Interest Payable	<u>24,629</u>	626,339

Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term debt in the statement of net position. The issuance of long-term debt is reported as other financing sources in the governmental funds, but increases liabilities on the statement of net position.

Net Amortization of Bond Discount	\$ (54,000)	
Repayment of Long-Term Debt	1,088,360	
Debt Defeased through an Advanced Refunding	7,277,251	
Issuance of Long-Term Debt	<u>(8,431,803)</u>	(120,192)

The net pension and OPEB liability and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change Net Pension & OPEB Liability	\$ (11,939,362)	
Net Change in Deferred Outflows of Resources	8,213,168	
Net Change in Deferred Inflows of Resources	<u>914,963</u>	(2,811,231)

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

Net Change in Taxes Receivable	\$ (59,706)	
Net Change in Special Assessment Receivable	<u>(104,015)</u>	<u>(163,721)</u>

Change in Net Position of Governmental Activities \$ 297,463

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

MORTON COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 10,640,966
LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	\$ 83,901
Funds Held for Other Purposes	280
Total Liabilities	<u>\$ 84,181</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 10,556,785</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 10,640,966</u>

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

MORTON COUNTY

Statement of Changes in Fiduciary Net Position – Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 35,460,976
Grant Collections for Other Governments	2,389,575
Miscellaneous Collections	<u>6,160</u>
Total Additions	<u>\$ 37,856,711</u>
DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 35,460,976
Grant Disbursements to Other Governments	2,389,575
Miscellaneous Disbursements	<u>6,160</u>
Total Deductions	<u>\$ 37,856,711</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u>\$ -</u>

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

MORTON COUNTY

Notes to the Financial Statements
For the Year Ended December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Component Unit

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

Blended Component Units

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

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

Discretely Presented Component Units

The component units' columns in the basic financial statements include the financial data of the county's two component units. These units are reported in separate columns to emphasize that they are legally separate from the county.

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

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

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

MORTON COUNTY

Notes to the Financial Statements -Continued

Basis of Presentation

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The County reports the following major governmental funds:

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

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

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

Additionally, the County reports the following fund type:

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

MORTON COUNTY

Notes to the Financial Statements -Continued

Cash and Investments

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

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

Capital Assets

Primary Government

Capital assets, which include property, plant, equipment, intangible, and infrastructure assets, are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized. Intangible assets consist of software and right-of-way easements. The right-of-way easements are considered to have an indefinite useful life as there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the assets and therefore the assets are not amortized.

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

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

Discretely Presented Component Units

Morton County Water Resource District

Capital assets include property, plant, and equipment. Assets are reported in the individual component unit column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$7,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets is not capitalized. Intangible assets are amortized over their useful life and consist of water rights purchased from the City of Mandan.

MORTON COUNTY

Notes to the Financial Statements -Continued

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

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

Lower Heart Water Resource District

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

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Pension

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

MORTON COUNTY

Notes to the Financial Statements -Continued

Other Post-Employment Benefits (OPEB)

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

Fund Balance

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

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

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

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

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

Net Position

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

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

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

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

Interfund Transactions

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

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

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

MORTON COUNTY

Notes to the Financial Statements -Continued

NOTE 2: PRIOR PERIOD ADJUSTMENTS

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

Adjustments to beginning net position are as follows:

Governmental Activities	Amounts
Beginning Net Position, as Previously Reported	\$ 74,534,349
Adjustments to restate the January 1, 2020 Net Position	
Escrow Cash	(466,101)
Net Position January 1, as restated	\$ 74,068,248

Adjustments to beginning fund balance are as follows:

Debt Service Fund	Amounts
Beginning Debt Service Fund Balance, as Previously Reported	\$ 2,673,268
Adjustments to restate the January 1, 2020 Fund Balance	
Escrow Cash	(466,101)
Debt Service Fund Balance January 1, as restated	\$ 2,207,167

NOTE 3: DEPOSITS

Custodial Credit Risk

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

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

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

At year ended December 31, 2020, the County's carrying amount of deposits totaled \$30,991,496, and the bank balances totaled \$30,456,099. Of the bank balances \$8,271,098 was covered by Federal Depository Insurance, \$2,484,934 were held at the Bank of North Dakota, which is backed by the full faith of the State of North Dakota, while the remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

MORTON COUNTY

Notes to the Financial Statements -Continued

At year ended December 31, 2020, Morton County Water District's carrying amount of deposits totaled \$3,069,273, and the bank balances totaled \$3,093,421. Of the bank balances, \$1,475,697 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2020, Lower Heart Water District's carrying amount of deposits and bank balances totaled \$527,876. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate Risk

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

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

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

At December 31, 2020, The County held investments in the amount of \$3,785,451, which consists of brokered CD's and government backed securities. The market value of the investments and their maturing dates can be seen below:

Investment Type	Total Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Brokered CD	\$ 2,760,751	\$ 741,260	\$ 2,019,491	\$ -	\$ -
Government Obligation Bonds	1,024,701	122,107	612,954	278,992	10,649
Total Investments	\$ 3,785,451	\$ 863,366	\$ 2,632,445	\$ 278,992	\$ 10,649

NOTE 4: FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

MORTON COUNTY

Notes to the Financial Statements -Continued

The following table below presents the balances of assets measured at fair value on a recurring basis at December 31, 2020:

Assets	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level 2	Total
Brokered CD	\$ -	\$ 2,760,751	\$ -	\$ 2,760,751
Government Obligation Bonds	1,024,701	-	-	1,024,701
Total	\$ 1,024,701	\$ 2,760,751	\$ -	\$ 3,785,452

NOTE 5: RESTRICTED CASH AND INVESTMENTS

Primary Government

The County reports restricted cash and investments with fiscal agent in the Debt Service Fund. This amount is held in a trust account at the Bank of North Dakota and is restricted in use for costs related to the bond payments for the County Jail Construction totaling \$1,093,202. The County has an additional escrow account held at the Bank of North Dakota that is restricted for costs related to the bond payments for the County Jail Construction totaling \$1,391,729.

Discretely Presented Component Units

Morton County Water Resource District

The Morton County Water Resource District's grant/loan covenants require certain reservations of Missouri West Water System's net position. These amounts are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The restricted portion is \$109,601 reported in the Statement of Net Position.

NOTE 6: PROPERTY TAXES

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

NOTE 7: INTERFUND RECEIVABLES/PAYABLES

Interfund loans receivable and payable total \$587,000. The following table represents the amounts of loans receivable and loans payable by fund reported in the balance sheet:

	Due To	Due From
Special Revenue Fund		
Berube Apartment Building	\$ -	\$ 587,000
Equipment Replacement	587,000	-
Total	\$ 587,000	\$ 587,000

MORTON COUNTY

Notes to the Financial Statements -Continued

NOTE 8: CAPITAL ASSETS**Primary Government**

The following is a summary of changes in capital assets for the year ended December 31, 2020:

	Bal. Jan 1 Restated	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized					
Land	\$ 1,751,559	\$ -	\$ -	\$ -	\$ 1,751,559
Right of Ways	549,727	-	-	-	549,727
Construction in Progress	3,188,747	801,908	-	(3,990,655)	-
Total Capital Assets, Not Being Depreciated or Amortized	\$ 5,490,033	\$ 801,908	\$ -	\$ (3,990,655)	\$ 2,301,286
Capital Assets Being Depreciated					
Buildings	\$ 26,469,719	\$ -	\$ -	\$ 3,990,655	\$ 30,460,374
Vehicles & Equipment	13,020,890	486,274	446,065	-	13,061,099
Improvements	132,662	-	-	-	132,662
Infrastructure	107,047,798	1,325,391	-	-	108,373,189
Total Capital Assets, Being Depreciated	\$ 146,671,069	\$ 1,811,665	\$ 446,065	\$ 3,990,655	\$ 152,027,324
Less Accumulated Depreciation					
Buildings	\$ 7,253,349	\$ 609,208	\$ -		\$ 7,862,557
Vehicles & Equipment	11,459,398	733,036	413,535		11,778,899
Improvements	102,629	3,003	-		105,632
Infrastructure	54,921,409	1,764,084	-		56,685,493
Total Accumulated Depreciation	\$ 73,736,785	\$ 3,109,331	\$ 413,535	\$ -	\$ 76,432,581
Total Capital Assets Being Depreciated, Net	\$ 72,934,284	\$ (1,297,666)	\$ 32,530	\$ 3,990,655	\$ 75,594,743
Capital Assets, Being Amortized					
Software	\$ 247,121	\$ -	\$ -		\$ 247,121
Less Amortization					
Software	\$ 74,136	\$ 24,711	\$ -		\$ 98,847
Capital Assets Being Amortized, Net	\$ 172,985	\$ (24,711)	\$ -	\$ -	\$ 148,274
Capital Assets, Net	\$ 78,597,302	\$ (520,469)	\$ 32,530	\$ -	\$ 78,044,303

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

	Depreciation	Amortization
General Government	\$ 183,114	\$ 24,711
Public Safety	674,222	-
Highway and Bridges	2,181,079	-
Health and Welfare	27,662	-
Conservation of Natural Resources	5,900	-
Culture and Recreation	37,354	-
Total	\$ 3,109,331	\$ 24,711

MORTON COUNTY

Notes to the Financial Statements -Continued

Discretely Presented Component Units*Morton County Water Resource District*

The following is a summary of changes in capital assets for the year ended December 31, 2020 for the Morton County Water Resource District Governmental Activities and Business Type Activities:

Governmental Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized				
Land	\$ 1,122,303	\$ -	\$ 70,515	\$ 1,051,788
Total Capital Assets, Not Being Depreciated or Amortized	\$ 1,122,303	\$ -	\$ 70,515	\$ 1,051,788
Capital Assets Being Depreciated				
Buildings	\$ 252,265	\$ 1	\$ -	\$ 252,266
Vehicles & Equipment	123,794	-	-	123,794
Infrastructure	8,075,897	9,620	-	8,085,517
Total Capital Assets, Being Depreciated	\$ 8,451,956	\$ 9,621	\$ -	\$ 8,461,577
Less Accumulated Depreciation				
Buildings	\$ 77,569	\$ 10,538	\$ -	\$ 88,107
Vehicles & Equipment	64,115	11,286	-	75,401
Infrastructure	1,783,729	185,998	-	1,969,727
Total Accumulated Depreciation	\$ 1,925,413	\$ 207,822	\$ -	\$ 2,133,235
Total Capital Assets Being Depreciated, Net	\$ 6,526,543	\$ (198,201)	\$ -	\$ 6,328,342
Capital Assets, Net	\$ 7,648,846	\$ (198,201)	\$ 70,515	\$ 7,380,130

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

Business-Type Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized				
Land	\$ 253,034	\$ -	\$ -	\$ 253,034
Construction in Progress	53,219	1,548,178	-	1,601,397
Total Capital Assets, Not Being Depreciated or Amortized	\$ 306,253	\$ 1,548,178	\$ -	\$ 1,854,431
Capital Assets Being Depreciated				
Buildings	\$ 9,800	\$ -	\$ -	\$ 9,800
Vehicles & Equipment	537,720	59,271	43,173	553,818
Infrastructure	16,367,818	-	-	16,367,818
Total Capital Assets, Being Depreciated	\$ 16,915,338	\$ 59,271	\$ 43,173	\$ 16,931,436
Less Accumulated Depreciation				
Buildings	\$ 6,207	\$ 327	\$ -	\$ 6,534
Vehicles & Equipment	442,696	72,421	43,173	471,944
Infrastructure	6,806,008	327,356	-	7,133,364
Total Accumulated Depreciation	\$ 7,254,911	\$ 400,104	\$ 43,173	\$ 7,611,842
Total Capital Assets Being Depreciated, Net	\$ 9,660,427	\$ (340,833)	\$ -	\$ 9,319,594
Capital Assets, Being Amortized				
Intangible Assets	\$ 1,371,300	\$ -	\$ -	\$ 1,371,300
Less Amortization				
Intangible Assets	\$ 834,708	\$ 31,564	\$ -	\$ 866,272
Capital Assets Being Amortized, Net	\$ 536,592	\$ (31,564)	\$ -	\$ 505,028
Capital Assets, Net	\$ 10,503,272	\$ 1,175,781	\$ -	\$ 11,679,053

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

MORTON COUNTY

Notes to the Financial Statements -Continued

Lower Heart Water Resource District

The following is a summary of changes in capital assets for the year ended December 31, 2020 for the Morton County Water Resource District:

	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated				
Land	\$ 341,721	\$ -	\$ -	\$ 341,721
Construction in Progress	374,830	269,452	-	644,282
Total Capital Assets, Not Being Depreciated	\$ 716,551	\$ 269,452	\$ -	\$ 986,003
Capital Assets Being Depreciated				
Buildings	\$ 20,000	\$ -	\$ -	\$ 20,000
Machinery & Equipment	347,785	-	-	347,785
Improvements to Infrastructure	158,335	-	-	158,335
Total Capital Assets, Being Depreciated	\$ 526,120	\$ -	\$ -	\$ 526,120
Less Accumulated Depreciation				
Buildings	\$ 20,000	\$ -	\$ -	\$ 20,000
Machinery & Equipment	275,541	12,621	-	288,162
Improvements to Infrastructure	12,667	3,166	-	15,833
Total Accumulated Depreciation	\$ 308,208	\$ 15,787	\$ -	\$ 323,995
Total Capital Assets Being Depreciated, Net	\$ 217,912	\$ (15,787)	\$ -	\$ 202,125
Capital Assets, Net	\$ 934,463	\$ 253,665	\$ -	\$ 1,188,128

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

NOTE 9: LONG-TERM LIABILITIES**Primary Government**

During the year ended December 31, 2020, the following changes occurred in governmental activities long-term liabilities:

	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 10,277,149	\$ 8,468,000	\$ 8,227,148	\$10,518,000	\$ 965,000
Bond Discount	(54,000)	(74,009)	(54,000)	(74,009)	(6,167)
Loans Payable	833,760	-	138,462	695,298	127,077
Total Long-Term Debt	\$ 11,056,909	\$ 8,393,991	\$ 8,311,610	\$11,139,289	\$ 1,085,910
Compensated Absences *	\$ 1,414,427	\$ -	\$ 377,061	\$ 1,037,366	\$ 103,737
Net Pension & OPEB Liability	6,996,395	11,939,362	-	18,935,757	-
Total Governmental Activities	\$ 19,467,731	\$ 20,333,353	\$ 8,688,671	\$31,112,412	\$ 1,189,647

* - Compensated absences is shown as net change.

MORTON COUNTY

Notes to the Financial Statements -Continued

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

GOVERNMENTAL ACTIVITIES					
Year Ending Dec 31	Bonds Payable		Loans Payable		Bond Discount
	Principal	Interest	Principal	Interest	
2021	\$ 965,000	\$ 212,805	\$ 127,077	\$ 27,780	\$ 6,167
2022	978,250	190,685	122,814	23,732	6,167
2023	992,250	166,699	76,991	19,533	6,167
2024	1,006,750	152,839	74,810	16,789	6,167
2025	1,126,250	137,383	59,542	15,496	6,167
2026-2030	3,282,750	482,568	234,064	41,427	30,837
2031-2035	2,166,750	92,538	-	-	12,337
Totals	\$ 10,518,000	\$ 1,435,517	\$ 695,298	\$ 144,757	\$ 74,009

Discretely Presented Component Units

Morton County Water Resource District

During the year ended December 31, 2020, the following changes occurred in governmental and enterprise long-term liabilities of the Morton County Water Resource District:

Government Activities	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ 112,554	\$ -	\$ 24,644	\$ 87,910	\$ 26,141

Business-Type Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 2,437,920	\$ -	\$ 87,186	\$ 2,350,734	\$ 90,142
Loans Payable	200,000	493,120	7,000	686,120	27,000
Total Long-Term Debt	\$ 2,637,920	\$ 493,120	\$ 94,186	\$ 3,036,854	\$ 117,142
Compensated Absences *	\$ 37,430	\$ 11,921	\$ -	\$ 49,351	\$ 14,805
Total Long-Term Liabilities	\$ 2,675,350	\$ 505,041	\$ 94,186	\$ 3,086,205	\$ 131,947

* - Compensated absences is shown as net change.

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

Year Ending Dec 31	GOVERNMENTAL ACTIVITIES				BUSINESS TYPE ACTIVITIES		
	Loans Payable		Bonds Payable		Loans Payable		
	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ 26,141	\$ 3,520	\$ 90,142	\$ 79,690	\$ 27,000	\$ 15,841	
2022	26,634	2,626	93,198	76,634	27,000	15,234	
2023	11,152	1,708	96,357	73,475	28,000	14,628	
2024	11,691	1,169	99,624	70,208	28,000	13,978	
2025	12,291	569	103,001	66,831	28,000	13,328	
2026-2030	-	-	1,868,412	278,416	147,000	56,409	
2031-2035	-	-	-	-	184,000	36,915	
2036-2040	-	-	-	-	174,000	13,890	
2041-2045	-	-	-	-	43,121	844	
Total	\$ 87,909	\$ 9,592	\$ 2,350,734	\$ 645,254	\$ 686,121	\$ 181,067	

MORTON COUNTY

Notes to the Financial Statements -Continued

Lower Heart Water Resource District

During the year ended December 31, 2020, the following changes occurred in governmental and enterprise long-term liabilities of the Lower Heart Water Resource District:

Government Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Special Assessments Payable	\$ 35,183	\$ -	\$ 17,591	\$ 17,592	\$ 17,592

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

GOVERNMENTAL ACTIVITIES		
Year Ending Dec 31	Special Assessments	
	Principal	Interest
2021	\$ 17,592	\$ 1,003

NOTE 10: OPERATING LEASE PAYABLE

Primary Government

The County is engaged in various operating leases. Total lease payments made during 2020 totaled \$88,186. Future lease payments are as follows:

GOVERNMENTAL ACTIVITIES			
Year Ending Dec 31	County Operating Leases		
	Copiers	Graders	Postage
2021	\$ 9,878	\$ 66,468	\$ 2,340
2022	9,878	69,123	1,755
2023	4,416	71,885	-
2024	276	74,758	-
2025	276	421,381	-
2026 - 2030	-	119,664	-
Totals	\$ 24,724	\$ 823,279	\$ 4,095

NOTE 11: PENSION PLAN

General Information about the NDPERS Pension Plan

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

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

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

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

MORTON COUNTY

Notes to the Financial Statements -Continued

Pension Benefits

Main System

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

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

Law Enforcement System (Without prior main system service)

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members first enrolled in the plan after December 31, 2019 the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

MORTON COUNTY

Notes to the Financial Statements -Continued

Member and Employer Contributions

Main System

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contributions rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

Law Enforcement System (Without prior main system service)

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 5.5% and employer contributions rates are 7.93% of covered compensation.

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

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

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

At December 31, 2020, the County reported a liability of \$18,401,472 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2020, the County had the following proportions, change in proportions, and pension expense:

	Proportion of Net Pension Liability	Change in Proportions	Pension Expense
Main System	0.551166%	-0.006729%	\$ 3,097,869
Law Enforcement without Main System	16.628695%	0.368746%	390,457

MORTON COUNTY

Notes to the Financial Statements -Continued

At December 31, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Main System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 67,481	\$ 878,624
Changes of Assumptions	9,295,228	1,536,731
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	559,641	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	75,115	202,241
District Contributions Subsequent to the Measurement Date	477,276	-
Total Main System	\$ 10,474,741	\$ 2,617,596

Law Enforcement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 40,040	\$ 71,561
Changes of Assumptions	1,088,982	103,592
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	67,882	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	135,472	-
District Contributions Subsequent to the Measurement Date	156,761	20,163
Total Law Enforcement System	\$ 1,489,137	\$ 195,316

\$447,276 and \$156,761 for the main system and law enforcement system, respectively, were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

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

Year	Main System	Law Enforcement	Total
2021	\$ 2,187,520	\$ 336,855	\$ 2,524,375
2022	1,895,821	227,821	2,123,642
2023	1,541,076	217,806	1,758,882
2024	1,755,452	219,289	1,974,741
2025	-	135,289	135,289

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

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

MORTON COUNTY

Notes to the Financial Statements -Continued

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

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate.

Proportionate Share of the Net Pension Liability	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Main System	\$ 22,497,089	\$ 17,339,800	\$ 13,119,882
Law Enforcement	1,696,063	1,061,672	565,645

Pension Plan Fiduciary Net Position

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

MORTON COUNTY

Notes to the Financial Statements -Continued

NOTE 12: OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

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

At December 31, 2020, the County reported a liability of \$534,285 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB liability was based on the employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020 the County's proportion was 0.635148 percent which was a decrease of 0.027559 percent from June 30, 2019.

MORTON COUNTY

Notes to the Financial Statements -Continued

For the year ended June 30, 2020 the County recognized OPEB expense of \$70,468. At December 30, 2020 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 11,866	\$ 12,809
Changes of Assumptions	71,637	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	18,373	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	34,329
District Contributions Subsequent to the Measurement Date	76,418	-
Total Main System	\$ 178,294	\$ 47,138

\$76,418 for the main system was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

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

2021	\$ 10,772
2022	15,521
2023	14,649
2024	9,667
2025	3,581
2026	548

Actuarial assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not applicable
Investment Rate of Return	6.50%, net of investment expenses
Cost-of-Living Adjustments	None

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

MORTON COUNTY

Notes to the Financial Statements -Continued

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
International Equities	21%	1.15%
Domestic Fixed Income	40%	6.45%

Discount rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County	\$ 700,727	\$ 534,285	\$ 393,536

NOTE 13: OPERATING LEASE RECEIVABLE

Component Units

Lower Heart Water Resource District

The Lower Heart Water Resource District leases land to the Mandan Parks and Recreation District for recreational facilities under a long-term lease expiring September 30, 2088, with annual lease payment of \$3,800. Additionally, the District leases land for farming that expires December 31, 2021, with annual lease payments of \$9,150. These leases are considered for accounting purposes to be operating leases. Lease revenues in 2019 totaled \$12,950.

MORTON COUNTY

Notes to the Financial Statements -Continued

NOTE 14: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 is limited to losses of two million dollars per occurrence for automobile and general. Mobile equipment and portable property (public assets) coverage is limited to \$7,620,152 for the County.

Morton County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Morton County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides Morton County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. Morton WRD has \$177,190 of coverage and \$880,712 for the Missouri West Water System employees. Lower Heart WRD has \$163,322 of coverage. The State Bonding Fund does not currently charge any premium for this coverage. Morton County has workers compensation with the North Dakota Workforce, Safety and Insurance.

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

NOTE 15: JOINT VENTURE

Primary Government

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

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

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

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

MORTON COUNTY

Notes to the Financial Statements -Continued

NOTE 16: TRANSFERS

The following is the reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2020:

	Transfers In	Transfers Out
Major Funds		
General Fund	\$ -	\$ 550,835
Special Revenue Fund	5,396,519	4,316,400
Debt Service Fund	4,215,037	4,794,321
Non-Major Funds		
Capital Project Fund	50,000	-
Total Transfers	\$ 9,661,556	\$ 9,661,556

NOTE 17: CONDUIT DEBT

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

At December 31, 2020, there were two outstanding issuances with a balance of \$6,163,923 at December 31, 2020.

NOTE 18: CONSTRUCTION COMMITMENTS

Morton County had no open construction commitments as of December 31, 2020.

Lower Heart Water Resource District had two open construction commitments as of December 31, 2020 as follows:

Project	Amended Contract	Complete	Retainage	Balance to Finish
Levee Certification Project	\$ 587,638	\$ 535,243	\$ -	\$ 52,395
Lower Heart River Flood Risk Design Phase 2	1,994,463	16,069	-	\$1,978,394
Total	\$ 2,582,101	\$ 551,312	\$ -	\$2,030,789

NOTE 19: CONTINGENT LIABILITIES

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

MORTON COUNTY

Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 8,069,779	\$ 8,069,779	\$ 7,459,689	\$ (610,090)
Licenses, Permits and Fees	43,500	43,500	89,446	45,946
Intergovernmental	1,666,300	1,666,300	2,457,477	791,177
Charges for Services	444,205	444,205	575,374	131,169
Interest Income	2,000	2,000	212,621	210,621
Miscellaneous	201,758	201,758	425,811	224,053
Total Revenues	\$ 10,427,542	\$ 10,427,542	\$ 11,220,418	\$ 792,876
EXPENDITURES				
Current				
General Government	\$ 3,926,919	\$ 3,926,919	\$ 3,980,003	\$ (53,084)
Public Safety	7,026,865	7,026,865	6,156,659	870,206
Conserv. & Econ Dev	108,700	108,700	104,300	4,400
Total Expenditures	\$ 11,062,484	\$ 11,062,484	\$ 10,240,962	\$ 717,222
Excess (Deficiency) of Revenues Over Expenditures	\$ (634,942.000)	\$ (634,942)	\$ 979,456	\$ 1,510,098
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	(265,707)	(265,707)	(550,835)	(285,128)
Total Other Financing Sources (Uses)	\$ (265,707)	\$ (265,707)	\$ (550,835)	\$ (285,128)
Net Change in Fund Balances	\$ (900,649)	\$ (900,649)	\$ 428,621	\$ 1,224,970
Fund Balance - January 1	\$ 4,894,072	\$ 4,894,072	\$ 4,894,072	\$ -
Fund Balance - December 31	\$ 3,993,423	\$ 3,993,423	\$ 5,322,693	\$ 1,224,970

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

MORTON COUNTY

Budgetary Comparison Schedule – Special Revenue Fund
 For the Year Ended December 31, 2020

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 3,086,776	\$ 3,086,776	\$ 3,193,004	\$ 106,228
Licenses, Permits, & Fees	-	-	17,685	17,685
Charges for Services	1,373,528	1,373,528	1,385,268	11,740
Intergovernmental	6,725,217	6,725,217	9,504,948	2,779,731
Miscellaneous	68,000	68,000	88,202	20,202
Total Revenues	\$ 11,253,521	\$ 11,253,521	\$ 14,189,107	\$ 2,935,586
EXPENDITURES				
Current				
General Government	\$ 228,364	\$ 233,469	\$ 203,706	\$ 29,763
Public Safety	685,000	1,522,500	1,571,012	(48,512)
Highways & Public Improve.	5,864,963	5,864,963	5,499,921	365,042
Health and Welfare	3,963,186	4,062,386	3,851,332	211,054
Culture and Recreation	657,168	657,168	573,590	83,578
Conser. Of Natural Resources	558,277	558,277	445,308	112,969
Economic Development	125,956	125,956	125,905	51
Capital Outlay	739,984	739,984	681,118	58,866
Debt Service:				
Principal	-	-	53,890	(53,890)
Total Expenditures	\$ 12,822,898	\$ 13,764,703	\$ 13,010,225	\$ 754,478
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,569,377)	\$ (2,511,182)	\$ 1,178,882	\$ 3,690,064
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	\$ -	\$ -	\$ 37,812	\$ 37,812
Transfers In	4,522,107	4,522,107	5,396,519	874,412
Transfers Out	(4,316,400)	(4,316,400)	(4,316,400)	-
Total Other Financing Sources (Uses)	\$ 205,707	\$ 205,707	\$ 1,117,931	\$ 912,224
Net Change in Fund Balances	\$ (1,363,670)	\$ (2,305,475)	\$ 2,296,813	\$ 4,602,288
Fund Balance - January 1	\$ 6,690,699	\$ 6,690,699	\$ 6,690,699	\$ -
Fund Balance - December 31	\$ 5,327,029	\$ 4,385,224	\$ 8,987,512	\$ 4,602,288

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

MORTON COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
 For the Year Ended December 31, 2020

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

Main System	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.551166%	\$ 17,339,800	\$ 6,080,026	285.19%	48.91%
2019	0.557895%	\$ 6,538,933	\$ 5,803,060	112.68%	71.66%
2018	0.558938%	9,432,688	5,742,063	164.27%	62.80%
2017	0.582935%	9,369,679	5,950,848	157.45%	61.98%
2016	0.549545%	5,355,852	5,538,116	96.71%	70.46%
2015	0.583700%	3,969,060	5,200,057	76.33%	77.15%
2014	0.529098%	3,358,298	4,457,002	75.35%	77.70%

Law Enforcement System	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	16.628695%	\$ 1,061,672	\$ 1,800,009	58.98%	65.83%
2019	16.259949%	(74,816)	1,591,802	-4.70%	104.84%
2018	27.973321%	271,421	1,709,406	15.88%	89.76%
2017	29.203088%	285,852	1,722,041	16.60%	87.23%
2016	47.562790%	30,465	1,591,802	1.91%	98.17%
2015	46.434907%	(54,345)	1,753,650	-3.10%	104.37%
2014	49.940925%	(6,664)	1,364,550	-0.49%	100.61%

MORTON COUNTY

Schedule of Employer's Share of Net Pension Liability and Employer Contributions -Continued

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

Main System	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	\$ 430,519	\$ (436,757)	\$ (6,238)	\$ 6,586,463	6.63%
2019	422,495	(462,612)	(40,117)	5,803,060	7.97%
2018	422,928	(414,582)	8,346	5,742,063	7.22%
2017	431,509	(377,856)	53,653	5,950,848	6.35%
2016	400,951	(439,794)	(38,843)	5,538,116	7.94%
2015	394,986	(374,863)	20,123	5,200,057	7.60%
2014	317,339	(317,339)	-	4,457,002	7.12%

Law Enforcement System	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	\$ 162,581	\$ (141,088)	\$ 21,493	\$ 1,896,082	7.44%
2019	108,991	(139,995)	(31,004)	1,591,802	8.79%
2018	131,922	(134,018)	(2,096)	1,709,406	7.84%
2017	145,242	(168,921)	(23,679)	1,722,041	9.81%
2016	176,774	(183,681)	(6,907)	1,591,802	11.54%
2015	143,678	(146,640)	(2,962)	1,753,650	8.19%
2014	108,209	(108,209)	-	1,364,550	7.93%

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

MORTON COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Year Ended December 31, 2020

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

	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered-employee payroll	Proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.635148%	\$ 534,285	\$ 7,240,502	7.38%	63.38%
2019	0.662707%	532,278	7,394,862	7.20%	63.13%
2018	0.680987%	536,324	7,451,469	7.20%	61.89%
2017	0.709244%	561,020	7,672,889	7.31%	59.78%

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

	Statutory required contribution	Contributions in relation to the statutory required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2020	\$ 85,061	\$ (86,666)	\$ (1,605)	\$ 7,240,502	-1.20%
2019	86,003	(94,218)	(8,215)	7,394,862	-1.27%
2018	87,402	(85,646)	1,756	7,451,469	-1.15%
2017	89,192	(84,784)	4,408	7,672,889	-1.10%

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

MORTON COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The board of County commissioners amended the County expenditures and transfers budget for various funds as follows:

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
Special Revenue Fund	\$ 17,139,298	\$ 941,805	\$ 18,081,103

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

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

NOTE 4: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

MORTON COUNTYNotes to the Required Supplementary Information – Continued

OPEB

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

NOTE 5: CHANGES OF ASSUMPTIONS – PENSION AND OPEB**Pension**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

Pension

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

OPEB

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

MORTON COUNTY

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through the State Department of Human Services			
93.563	Child Support Enforcement	N/A	\$ 314
93.778	Medical Assistance Program	N/A	<u>20,551</u>
Total U.S. Department of Health and Human Services			<u>\$ 20,864</u>
U.S. DEPARTMENT OF THE INTERIOR			
Passed Through the State Game & Fish			
15.605	Sport Fish Restoration Program	F17AF00049	\$ 5,250
97.012	Boating Safety Financial Assistance	N/A	<u>1,706</u>
Total U.S. Department of Interior			<u>\$ 6,956</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through the State Department of Emergency Services			
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR4444	\$ 50,562
97.042	Emergency Management Performance Grants	FY-2019 EMPG	42,801
97.047	Pre-Disaster Mitigation	DR-2017 PDM	10,818
97.029	Flood Mitigation Assistance 2017	DR-2017 FMA	<u>39,654</u>
Total U.S. Department of Homeland Security			<u>\$ 143,836</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through the State Department of Transportation			
20.600	State and Community Highway Safety	PHSPOP2005-05-32, PHSPID2010-02-30, PHSPDD2011-02-19	\$ 3,787
20.616	National Priority Safety Programs	PHSPOP2005-05-32, PHSPID2010-02-30, PHSPDD2011-02-19	5,405
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	N/A	<u>3,015</u>
Passed Through the State Department of Emergency Services			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	DR-2018-2019	<u>\$ 4,000</u>
Total U.S. Department of Transportation			<u>\$ 16,207</u>
U.S. DEPARTMENT OF THE TREASURY			
Passed Through the State Department of the Treasurer:			
21.019	Coronavirus Relief Fund	N/A	<u>\$ 2,480,414</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,668,276</u></u>

MORTON COUNTY

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on the modified cash basis of accounting. For certain programs shown on the schedule of expenditures of federal awards, federal reimbursements are not based upon specific expenditures, the amounts reported here represent cash received rather than federal expenditures. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The County received federal awards both directly and indirectly through passthrough entities. The County has not provided any federal financial assistance to subrecipients.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 PASS-THROUGH GRANT NUMBER

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

NOTE 4 INDIRECT COST RATE

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

STATE AUDITOR
Joshua C. Gallion



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

Independent Auditor's Report

Board of County Commissioners
Morton County
Mandan, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Morton County's basic financial statements, and have issued our report thereon dated July 22, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as items 2020-001, 2020-002, and 2020-003 that we consider to be material weaknesses.

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

Morton County's Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
July 22, 2021

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

Independent Auditor's Report

Board of County Commissioners
Morton County
Mandan, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Morton County's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Morton County's major federal program for the year ended December 31, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 program 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 its major federal program for the year ended December 31, 2020.

MORTON COUNTY

Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance - 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 the Uniform Guidance, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
July 22, 2021

MORTON COUNTY

Summary of Auditor's Results
For the Year Ended December 31, 2020

Financial Statements

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

Internal control over financial reporting

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

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified?	<u> </u> Yes	<u> X </u> None	noted
Reportable conditions identified not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None	noted

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

Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	<u> </u> Yes	<u> X </u> None	noted
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Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee? Yes X No

MORTON COUNTY

Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2020

SECTION I – FINANCIAL STATEMENT FINDINGS

2020-001 ADJUSTING JOURNAL ENTRIES – MATERIAL WEAKNESS

Condition

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

Effect

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

Cause

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

Criteria

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

Prior Recommendation

Yes.

Recommendation

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

Morton County's Response

See Corrective Action Plan.

MORTON COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2020-002 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS

Condition

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

Effect

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

Cause

Management chose not to allocate County resources for preparation of a fraud risk assessment.

Criteria

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

Prior Recommendation

Yes.

Recommendation

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

Morton County's Response

See Corrective Action Plan.

MORTON COUNTY

Schedule of Audit Findings and Questioned Costs – Continued

2020-003 ADJUSTING JOURNAL ENTRIES – LOWER HEART WATER RESOURCE DISTRICT – MATERIAL WEAKNESS

Condition

Material auditor-identified accounts payable adjusting entries to the financial statements totaling \$19,375 were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Effect

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

Cause

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

Criteria

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

Prior Recommendation

No.

Recommendation

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

Lower Heart Water Resource District's Response

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

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



Morton County

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

Date: July 15, 2021
To: Joshua C. Gallion, ND State Auditor
FROM: Dawn Rhone, County Auditor
RE: Morton County – 2020 Corrective Action Plan
Contact Person Responsible for Corrective Acton Plan: Dawn Rhone, County Auditor

Section I – Financial Statement Findings:

2020-001 – ADJUSTING JOURNAL ENTRIES – MATERIAL WEAKNESS

Condition:

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

Corrective Action Plan:

We agree. Morton County will add a level of review for the off book activities.

Anticipated Completion Date:

Fiscal Year 2021

2020-002 – FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY

Condition:

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

Corrective Action Plan:

We agree. Morton County will conduct a fraud risk assessment at an upcoming county commission meeting.

Anticipated Completion Date:

Fiscal Year 2021



Morton County

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

2019-001 – FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition:

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

Recommendation:

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

Current Status of Recommendation:

We have not implemented. We prefer the State Auditor's prepare for us.

2019-002 – ADJUSTING JOURNAL ENTRIES – MATERIAL WEAKNESS

Condition:

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

Recommendation:

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

Current Status of Recommendation:

We have not implemented. We prefer the State Auditor's prepare for us.

2019-003 – FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS

Condition:

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

Recommendation:

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

Current Status of Recommendation:

We have not implemented. We will consider doing a risk assessment in the future.

STATE AUDITOR
Joshua C. Gallion



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GOVERNANCE COMMUNICATION

Board of County Commissioners
Morton County
Mandan, North Dakota

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County, North Dakota, for the year ended December 31, 2020 which collectively comprise Morton County's basic financial statements, and have issued our report thereon dated July 22, 2021. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated March 10, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

As part of obtaining reasonable assurance about whether Morton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Accounting Policies/Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Morton County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

MORTON COUNTY

Governance Communication – Continued

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

Corrected and Uncorrected Misstatements

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

2020 Adjustments	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
Governmental Activities						
<u>Client Provided Adjustments</u>						
Intergovernmental Receivable	735,688	-	-	-	735,688	-
Accounts Receivable	96,281	-	-	-	96,281	-
Revenue	-	831,969	-	-	-	831,969
<u>Client Provided Adjustments</u>						
Expenditures	246,316	-	-	-	246,316	-
Salaries Payable	-	246,316	-	-	-	246,316
<u>Client Provided Adjustments</u>						
Long-Term Debt	16,667	-	-	-	16,667	-
Other Financing Sources	-	16,667	-	-	-	16,667
Debt Service Funds						
<u>To Adjust Off-Book Activity</u>						
Expenditures	-	-	1,310,168	-	1,310,168	-
Other Financing Uses	-	-	581,856	-	581,856	-
Revenue	-	-	-	1,793,372	-	1,793,372
Cash	-	-	-	98,652	-	98,652
<u>To Record Prior Period Adjustment for Off Book Activity</u>						
Fund Balance	-	-	466,101	-	466,101	-
Cash	-	-	-	466,101	-	466,101
Lower Heart Water Resource District						
<u>To Adjust Missed Payable Amount</u>						
Expenditures	-	-	19,375	-	19,375	-
Accounts Payable	-	-	-	19,375	-	19,375

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 22, 2021.

Management Consultations with Other Independent Accountants

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

Difficulties Encountered in Performing the Audit

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

Other Audit Findings or Issues

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

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
July 22, 2021



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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