



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, 2021

Client Code: PS30000



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Office of the
State Auditor

MORTON COUNTY

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MORTON COUNTY

County Officials
December 31, 2021

COUNTY OFFICIALS

Nathan Boehm
Andy Zachmeier
Ron Leingang
Jackie Buckley
Raymond Morrell

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

Commissioner – Chairman
Commissioner – Vice Chairman
Commissioner
Commissioner
Commissioner

Auditor
Treasurer
States Attorney
Sheriff
County Recorder
Superintendent of Schools

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 Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise Morton County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County, North Dakota, as of December 31, 2021, and the respective changes in financial position, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing our audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Morton County's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Morton County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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 October 13, 2022 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
October 13, 2022

MORTON COUNTY

Statement of Net Position

December 31, 2021

	Primary	Component Units	
	Government	Morton Co. Water	Lower Heart Water
	Governmental	Resource District	Resource District
	Activities		
ASSETS			
Cash and Investments	\$ 22,226,479	\$ 3,533,648	\$ 286,279
Restricted Cash & Investments	3,398,859	166,949	-
Accounts Receivable	170,866	152,562	-
Due from County Treasurer	-	205	-
Intergovernmental Receivable	755,661	20,000	414,434
Prepaid Expense	27,739	-	-
Taxes Receivable	160,693	2,144	4,234
Special Assessments Receivable	434,383	22,036	-
Capital Assets, Net	78,255,007	18,454,150	2,173,071
Total Assets	\$ 105,429,687	\$ 22,351,694	\$ 2,878,018
DEFERRED OUTFLOWS OF RESOURCES			
Derived from Pensions & OPEB	\$ 8,328,436	-	-
Total Assets & Deferred Outflows of Resources	\$ 113,758,123	\$ 22,351,694	\$ 2,878,018
LIABILITIES			
Accounts Payable	\$ 947,977	\$ 95,307	\$ 123,640
Salaries and Benefits Payable	731,439	1,507	-
Grants received in advance	3,047,089	-	-
Interest Payable	51,432	50,267	1,961
Other Liability	49,818	-	-
Long-Term Liabilities			
Due Within One Year			
Long Term Debt	1,149,120	141,832	13,100
Compensated Absences Payable	247,308	18,369	-
Due After One Year			
Long Term Debt	9,724,003	2,967,777	117,900
Compensated Absences Payable	2,225,772	42,860	-
Net Pension & OPEB Liability	5,774,586	-	-
Total Liabilities	\$ 23,948,544	\$ 3,317,919	\$ 256,601
DEFERRED INFLOWS OF RESOURCES			
Taxes Received in Advance	\$ 2,813,382	-	-
Derived from Pensions & OPEB	12,814,304	-	-
Total Deferred Inflows of Resources	\$ 15,627,686	\$ -	\$ -
Total Liabilities & Deferred Inflows of Resources	\$ 39,576,230	\$ 3,317,919	\$ 256,601
NET POSITION			
Net Investment in Capital Assets	\$ 67,381,884	\$ 15,294,274	\$ 2,040,110
Restricted			
Debt Service	4,036,826	166,949	-
Capital Projects	479,473	-	-
Highways & Public Improvement	406,691	-	-
Culture and Recreation	253,908	-	-
Conservation of Natural Resources	388,325	-	581,307
Emergencies	512,646	-	-
Economic Development	28,056	-	-
Dam Maintenance	-	162,598	-
Unrestricted	694,084	3,409,954	-
Total Net Position	\$ 74,181,893	\$ 19,033,775	\$ 2,621,417

MORTON COUNTY

Statement of Activities

For the Year Ended December 31, 2021

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 Gov't	Component Units	
					Governmental Activities	Morton Co. WRD	Lower Heart WRD
Primary Government							
Governmental Activities							
General Government	\$ 4,748,573	\$ 699,624	\$ 3,711	\$ -	\$ (4,045,238)	\$ -	\$ -
Public Safety	8,830,045	1,117,262	58,783	-	(7,654,000)	-	-
Highways & Public Improvement	6,582,000	57,274	3,450,487	52,799	(3,021,440)	-	-
Health and Welfare	4,131,035	29,866	3,648,216	-	(452,953)	-	-
Culture and Recreation	656,334	165,844	21,310	-	(469,180)	-	-
Conserv. of Natural Resources	607,256	28,750	16	-	(578,490)	-	-
Economic Development	127,035	13,501	-	-	(113,534)	-	-
Interest on Long-term Debt	243,112	-	-	-	(243,112)	-	-
Total Governmental Activities	\$ 25,925,390	\$ 2,112,121	\$ 7,182,523	\$ 52,799	\$ (16,577,947)	\$ -	\$ -
Component Units							
Morton Co. Water Resource	\$ 3,152,042	\$ 2,890,970	\$ 42,608	\$ -	\$ -	\$ (218,464)	\$ -
Lower Heart Water Resource	92,152	-	-	656,990	-	-	564,838
Total Component Units	\$ 3,244,194	\$ 2,890,970	\$ 42,608	\$ 656,990	\$ -	\$ (218,464)	\$ 564,838
General Revenues							
Property taxes					\$ 10,220,121	\$ 129,671	\$ 356,260
Sales taxes					2,085,433	-	-
Unrestricted State Revenue					3,052,114	-	-
Interest Earnings					-	14,031	122
Earnings on Investments					94,352	-	-
Gain (Loss) on Sale of Capital Asset					442,075	-	-
Miscellaneous					560,372	52,031	15,026
Total General Revenues					\$ 16,454,467	\$ 195,733	\$ 371,408
Change in Net Position					\$ (123,480)	\$ (22,731)	\$ 936,246
Net Position - January 1					\$ 74,365,711	\$ 18,971,540	\$ 1,685,171
Prior Period Adjustment					\$ (60,338)	\$ 84,966	\$ -
Net Position - January 1, as adjusted					\$ 74,305,373	\$ 19,056,506	\$ 1,685,171
Net Position - December 31					\$ 74,181,893	\$ 19,033,775	\$ 2,621,417

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

MORTON COUNTY

Balance Sheet – Governmental Funds

December 31, 2021

	Major Funds				
	General	Special Revenue Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
ASSETS					
Cash & Investments	\$ 8,578,803	\$ 12,862,818	\$ 295,442	\$ 489,416	\$ 22,226,479
Restricted Cash & Investments	-	-	3,398,859	-	3,398,859
Accounts Receivable	93,079	77,787	-	-	170,866
Intergovernmental Receivables	361,156	394,505	-	-	755,661
Interfund Loan Receivable	-	503,000	-	-	503,000
Prepaid Expense	26,779	960	-	-	27,739
Taxes Receivable	112,957	47,736	-	-	160,693
Special Assessments Receivable	-	-	434,383	-	434,383
Total Assets	\$ 9,172,774	\$ 13,886,806	\$ 4,128,684	\$ 489,416	\$ 27,677,680
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Accounts Payable	\$ 468,299	\$ 462,868	\$ 6,867	\$ 9,943	\$ 947,977
Salaries and Benefits Payable	630,529	100,910	-	-	731,439
Interfund Loan Payable	-	503,000	-	-	503,000
Other Liabilities	49,818	-	-	-	49,818
Grants received in advance	-	3,047,089	-	-	3,047,089
Total Liabilities	\$ 1,148,646	\$ 4,113,867	\$ 6,867	\$ 9,943	\$ 5,279,323
Deferred Inflows of Resources:					
Taxes Receivable	\$ 112,957	\$ 47,736	\$ -	\$ -	\$ 160,693
Special Assessments Receivable	-	-	434,383	-	434,383
Taxes Received in Advance	1,910,545	869,278	33,559	-	2,813,382
Total Deferred Inflows of Resources	\$ 2,023,502	\$ 917,014	\$ 467,942	\$ -	\$ 3,408,458
Total Liabilities and Deferred Inflows of Resources	\$ 3,172,148	\$ 5,030,881	\$ 474,809	\$ 9,943	\$ 8,687,781
FUND BALANCE					
Non-Spendable					
Prepaid Expense	\$ 26,779	\$ 961	\$ -	\$ -	\$ 27,740
Loans Payable	-	503,000	-	-	503,000
Restricted					
Debt Service	-	-	3,653,875	-	3,653,875
Public Safety	-	3,243,212	-	-	3,243,212
Highways & Public Improvement	-	3,020,982	-	-	3,020,982
Emergency	-	512,646	-	-	512,646
Health and Welfare	-	610,004	-	-	610,004
Culture and Recreation	-	532,769	-	-	532,769
Conservation of Natural Resources	-	473,110	-	-	473,110
Economic Development	-	26,432	-	-	26,432
Capital Projects	-	-	-	479,473	479,473
Unassigned					
General Fund	5,973,847	-	-	-	5,973,847
Negative Fund Balances	-	(67,191)	-	-	(67,191)
Total Fund Balances	\$ 6,000,626	\$ 8,855,925	\$ 3,653,875	\$ 479,473	\$ 18,989,899
Total Liabilities and Fund Balances	\$ 9,172,774	\$ 13,886,806	\$ 4,128,684	\$ 489,416	\$ 27,677,680

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, 2021

Total Fund Balances for Governmental Funds \$ 18,989,899

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. 78,255,007

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	\$ 160,693	
Special Assessments Receivable	<u>434,383</u>	595,076

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	\$ 8,328,436	
Deferred Inflows Related to Pensions & OPEB Items	<u>(12,814,304)</u>	(4,485,868)

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	\$ (10,873,123)	
Interest Payable	(51,432)	
Compensated Absences	(2,473,080)	
Net Pension & OPEB Liability	<u>(5,774,586)</u>	<u>(19,172,221)</u>

Total Net Position of Governmental Activities \$ 74,181,893

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

MORTON COUNTYStatement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2021

	Major Funds				Total Governmental Funds
	General	Special Revenue Fund	Debt Service Fund	Other Governmental Fund	
REVENUES					
Property Taxes	\$ 7,188,522	\$ 3,054,263	\$ -	\$ -	\$ 10,242,785
Sales Taxes	-	-	2,085,433	-	2,085,433
Special Assessments	-	-	110,672	-	110,672
Intergovernmental Revenues	2,750,601	7,381,042	1,881	101,112	10,234,636
Charges for Services	582,079	1,409,599	-	-	1,991,678
Licenses, Permits, & Fees	95,850	24,593	-	-	120,443
Interest Income	94,352	-	-	-	94,352
Miscellaneous Revenues	461,702	88,186	10,485	-	560,373
Total Revenues	\$ 11,173,106	\$ 11,957,683	\$ 2,208,471	\$ 101,112	\$ 25,440,372
EXPENDITURES					
Current					
General Government	\$ 3,678,816	\$ 236,935	\$ -	\$ 89,000	\$ 4,004,751
Public Safety	6,192,828	872,706	-	-	7,065,534
Highways & Public Improvements	-	6,100,437	825,204	-	6,925,641
Health and Welfare	-	3,847,926	-	-	3,847,926
Culture and Recreation	-	577,957	-	-	577,957
Conserv. of Natural Resources	104,800	470,286	-	-	575,086
Economic Development	-	127,035	-	-	127,035
Capital Outlay	-	262,483	-	46,732	309,215
Debt Service					
Principal	-	54,000	1,040,524	-	1,094,524
Interest and Service Charge	-	3,004	237,993	-	240,997
Total Expenditures	\$ 9,976,444	\$ 12,552,769	\$ 2,103,721	\$ 135,732	\$ 24,768,666
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,196,662	\$ (595,086)	\$ 104,750	\$ (34,620)	\$ 671,706
OTHER FINANCING SOURCES (USES)					
Debt Proceeds	\$ -	\$ -	\$ 822,191	\$ -	\$ 822,191
Proceeds from Sale of Capital Assets	-	24,770	-	-	24,770
Transfers In	-	3,579,729	208,543	80,000	3,868,272
Transfers Out	(518,729)	(3,141,000)	(208,543)	-	(3,868,272)
Total Other Financing Sources (Uses)	\$ (518,729)	\$ 463,499	\$ 822,191	\$ 80,000	\$ 846,961
Net Change in Fund Balances	\$ 677,933	\$ (131,587)	\$ 926,941	\$ 45,380	\$ 1,518,667
Fund Balance - January 1	\$ 5,322,693	\$ 8,987,512	\$ 2,726,934	\$ 434,093	\$ 17,471,232
Fund Balance - December 31	\$ 6,000,626	\$ 8,855,925	\$ 3,653,875	\$ 479,473	\$ 18,989,899

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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 1,518,667

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	\$ 3,190,549	
Depreciation Expense	(3,372,438)	
Amortization of Intangible Assets	<u>(24,712)</u>	(206,601)

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.

442,075

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	\$ (1,435,714)	
Net Change in Interest Payable	<u>4,052</u>	(1,431,662)

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

Net Amortization of Bond Discount	\$ (6,167)	
Repayment of Long-Term Debt	1,094,524	
Issuance of Long-Term Debt	<u>(846,961)</u>	241,396

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	\$ 13,161,171	
Net Change in Deferred Outflows of Resources	(3,813,735)	
Net Change in Deferred Inflows of Resources	<u>(9,954,254)</u>	(606,818)

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	\$ (22,664)	
Net Change in Special Assessment Receivable	<u>(57,873)</u>	<u>(80,537)</u>

Change in Net Position of Governmental Activities \$ (123,480)

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

MORTON COUNTY

Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 11,186,459</u>
LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	\$ 203,877
Funds Held for Other Purposes	<u>525</u>
Total Liabilities	<u>\$ 204,402</u>
Deferred Inflows of Resources	
Taxes Received in Advance	<u>\$ 10,982,057</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 11,186,459</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, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Tax Collections for Other Governments	\$ 36,343,532
Grant Collections for Other Governments	2,550,493
Miscellaneous Collections	<u>8,231</u>
Total Additions	<u><u>\$ 38,902,256</u></u>
DEDUCTIONS	
Tax Disbursements to Other Governments	\$ 36,343,532
Grant Disbursements to Other Governments	2,550,493
Miscellaneous Disbursements	<u>8,231</u>
Total Deductions	<u><u>\$ 38,902,256</u></u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u><u>\$ -</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, 2021

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:

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

Fund Balance

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

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

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

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

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

Net Position

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

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

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

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

Interfund Transactions

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

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

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

MORTON COUNTY

Notes to the Financial Statements -Continued

NOTE 2: PRIOR PERIOD ADJUSTMENTS

Primary Government

Beginning governmental net position adjustments were necessary to decrease special assessment receivables.

Adjustments to beginning net position are as follows:

Governmental Activities	Amounts
Beginning Net Position, as Previously Reported	\$ 74,365,711
Adjustments to restate the January 1, 2021 Net Position	
Special Assessment Receivables	(60,338)
Net Position January 1, as restated	\$ 74,305,373

Discretely Presented Component Unit

Beginning governmental net position and enterprise net position adjustments were necessary to increase and record intergovernmental receivables for Morton County Water Resource District.

Adjustments to beginning net position are as follows:

	Amounts
Beginning Net Position, as Previously Reported	\$ 18,971,540
Adjustments to restate the January 1, 2021 Net Position:	
Intergovernmental Receivables	84,966
Net Position January 1, as restated	\$ 19,056,506

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, 2021, the County's carrying amount of deposits totaled \$36,726,760, and the bank balances totaled \$31,600,246. Of the bank balances \$7,017,723 was covered by Federal Depository Insurance, \$3,398,859 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, 2021, Morton County Water District’s carrying amount of deposits totaled \$3,700,554, and the bank balances totaled \$3,668,349. Of the bank balances, \$1,498,621 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, 2021, Lower Heart Water District’s carrying amount of deposits totaled \$286,279 and bank balances totaled \$351,944. 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.

On December 31, 2021, The County held investments in the amount of \$3,265,820, 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	\$ 2,222,304	\$ 1,730,183	\$ 492,122	\$ -	\$ -
Government Obligation Bonds	1,043,515	145,476	548,283	296,077	53,679
Total Investments	\$ 3,265,820	\$ 1,875,658	\$ 1,040,404	\$ 296,077	\$ 53,679

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, 2021:

Assets	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level 2	Total
Brokered CD	\$ -	\$ 2,222,304	\$ -	\$ 2,222,304
Government Obligation Bonds	1,043,515	-	-	1,043,515
Total	\$ 1,043,515	\$ 2,222,304	\$ -	\$ 3,265,820

NOTE 5: RESTRICTED CASH AND INVESTMENTS

Primary Government

The County reports restricted cash and investments with fiscal agent in the Debt Service Fund. This amount is held in a trust account at the Bank of North Dakota and is restricted in use for costs related to the bond payments for the County Jail Construction totaling \$2,354,933. 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 \$1,043,923.

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 \$166,949 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 \$503,000. 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	\$ -	\$ 503,000
Equipment Replacement	503,000	-
Total	\$ 503,000	\$ 503,000

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, 2021:

	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized					
Land	\$ 1,751,559	\$ -	\$ -	\$ -	\$ 1,751,559
Right of Ways	549,727	-	-	-	549,727
Construction in Progress	-	-	-	-	-
Total Capital Assets, Not Being Depreciated or Amortized	\$ 2,301,286	\$ -	\$ -	\$ -	\$ 2,301,286
Capital Assets Being Depreciated					
Buildings	\$ 30,460,374	\$ -	\$ -	\$ -	\$ 30,460,374
Vehicles & Equipment	13,061,099	1,439,045	982,606	-	13,517,538
Improvements	132,662	-	-	-	132,662
Infrastructure	108,373,189	2,203,004	111,783	-	110,464,410
Total Capital Assets, Being Depreciated	\$ 152,027,324	\$ 3,642,049	\$ 1,094,389	\$ -	\$ 154,574,984
Less Accumulated Depreciation					
Buildings	\$ 7,862,557	\$ 609,208	\$ -	\$ -	\$ 8,471,765
Vehicles & Equipment	11,778,899	864,585	976,257	-	11,667,227
Improvements	105,632	3,003	-	-	108,635
Infrastructure	56,685,493	1,895,642	83,936	-	58,497,199
Total Accumulated Depreciation	\$ 76,432,581	\$ 3,372,438	\$ 1,060,193	\$ -	\$ 78,744,826
Total Capital Assets Being Depreciated, Net	\$ 75,594,743	\$ 269,611	\$ 34,196	\$ -	\$ 75,830,158
Capital Assets, Being Amortized					
Software	\$ 247,121	\$ -	\$ -	\$ -	\$ 247,121
Less Amortization					
Software	\$ 98,847	\$ 24,711	\$ -	\$ -	\$ 123,558
Capital Assets Being Amortized, Net	\$ 148,274	\$ (24,711)	\$ -	\$ -	\$ 123,563
Capital Assets, Net	\$ 78,044,303	\$ 244,900	\$ 34,196	\$ -	\$ 78,255,007

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

	Depreciation	Amortization
General Government	\$ 164,974	\$ 24,711
Public Safety	699,659	-
Highway and Bridges	2,441,077	-
Health and Welfare	27,662	-
Conservation of Natural Resources	4,200	-
Culture and Recreation	34,866	-
Total	\$ 3,372,438	\$ 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, 2021 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	\$ 1,051,788	\$ -	\$ -	\$ 1,051,788
Total Capital Assets, Not Being Depreciated or Amortized	\$ 1,051,788	\$ -	\$ -	\$ 1,051,788
Capital Assets Being Depreciated				
Buildings	\$ 252,266	\$ 14,907	\$ -	\$ 267,173
Vehicles & Equipment	123,794	30,560	-	154,354
Infrastructure	8,085,517	-	-	8,085,517
Total Capital Assets, Being Depreciated	\$ 8,461,577	\$ 45,467	\$ -	\$ 8,507,044
Less Accumulated Depreciation				
Buildings	\$ 88,106	\$ 12,028	\$ -	\$ 100,134
Vehicles & Equipment	75,402	12,888	-	88,290
Infrastructure	1,969,727	185,999	-	2,155,726
Total Accumulated Depreciation	\$ 2,133,235	\$ 210,915	\$ -	\$ 2,344,150
Total Capital Assets Being Depreciated, Net	\$ 6,328,342	\$ (165,448)	\$ -	\$ 6,162,894
Capital Assets, Net	\$ 7,380,130	\$ (165,448)	\$ -	\$ 7,214,682

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	1,601,397	3,804	1,595,201	10,000
Total Capital Assets, Not Being Depreciated or Amortized	\$ 1,854,431	\$ 3,804	\$ 1,595,201	\$ 263,034
Capital Assets Being Depreciated				
Buildings	\$ 9,800	\$ -	\$ -	\$ 9,800
Vehicles & Equipment	553,818	-	-	553,818
Infrastructure	16,367,818	1,595,201	-	17,963,019
Total Capital Assets, Being Depreciated	\$ 16,931,436	\$ 1,595,201	\$ -	\$ 18,526,637
Less Accumulated Depreciation				
Buildings	\$ 6,533	\$ 327	\$ -	\$ 6,860
Vehicles & Equipment	471,943	52,239	-	524,182
Infrastructure	7,133,364	359,261	-	7,492,625
Total Accumulated Depreciation	\$ 7,611,840	\$ 411,827	\$ -	\$ 8,023,667
Total Capital Assets Being Depreciated, Net	\$ 9,319,596	\$ 1,183,374	\$ -	\$ 10,502,970
Capital Assets, Being Amortized				
Intangible Assets	\$ 1,371,300	\$ -	\$ -	\$ 1,371,300
Less Amortization				
Intangible Assets	\$ 866,272	\$ 31,564	\$ -	\$ 897,836
Capital Assets Being Amortized, Net	\$ 505,028	\$ (31,564)	\$ -	\$ 473,464
Capital Assets, Net	\$ 11,679,055	\$ 1,155,614	\$ 1,595,201	\$ 11,239,468

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, 2021 for the Morton County Water Resource District:

	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated				
Land	\$ 341,721	\$ 165,747	\$ -	\$ 507,468
Construction in Progress	644,282	834,984	-	1,479,266
Total Capital Assets, Not Being Depreciated	\$ 986,003	\$ 1,000,731	\$ -	\$ 1,986,734
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	288,161	12,621	-	300,782
Improvements to Infrastructure	15,834	3,167	-	19,001
Total Accumulated Depreciation	\$ 323,995	\$ 15,788	\$ -	\$ 339,783
Total Capital Assets Being Depreciated, Net	\$ 202,125	\$ (15,788)	\$ -	\$ 186,337
Capital Assets, Net	\$ 1,188,128	\$ 984,943	\$ -	\$ 2,173,071

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

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

During the year ended December 31, 2021, 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	\$ 10,518,000	\$ -	\$ 965,000	\$ 9,553,000	\$ 978,250
Bond Discount	(74,009)	-	(6,167)	(67,842)	(6,167)
Loans Payable	695,298	822,191	129,524	1,387,965	177,037
Total Long-Term Debt	\$ 11,139,289	\$ 822,191	\$ 1,088,357	\$10,873,123	\$ 1,149,120
Compensated Absences *	\$ 1,037,366	\$ 1,435,714	\$ -	\$ 2,473,080	\$ 247,308
Net Pension & OPEB Liability	18,935,757	-	13,161,171	5,774,586	-
Total Governmental Activities	\$ 31,112,412	\$ 2,257,905	\$14,249,528	\$19,120,789	\$ 1,396,428

* - 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	
2022	\$ 978,250	\$ 190,685	\$ 177,037	\$ 49,530	\$ 6,167
2023	992,250	166,699	133,407	41,962	6,167
2024	1,006,750	152,839	132,321	37,603	6,167
2025	1,126,250	137,383	118,830	35,266	6,167
2026	3,282,750	482,568	122,677	28,802	6,167
2027-2031	2,166,750	92,538	479,376	94,219	30,837
2032-2037	-	-	224,317	20,523	6,170
Totals	\$ 9,553,000	\$ 1,222,712	\$ 1,387,965	\$ 307,905	\$ 67,842

Discretely Presented Component Units

Morton County Water Resource District

During the year ended December 31, 2021, the following changes occurred in governmental and enterprise long-term liabilities of the Morton County Water Resource District:

Government Activities	Balance Jan 1	Increases	Decreases	Balance December 31	Due Within One Year
Long-Term Debt					
Loans Payable	\$ 87,909	\$ -	\$ 26,177	\$ 61,732	\$ 26,634

Business-Type Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long-Term Debt					
Bonds Payable	\$ 2,350,733	\$ -	\$ 90,158	\$ 2,260,575	\$ 93,198
Loans Payable	686,120	128,088	26,906	787,302	22,000
Total Long-Term Debt	\$ 3,036,853	\$ 128,088	\$ 117,064	\$ 3,047,877	\$ 115,198
Compensated Absences *	\$ 49,351	\$ 11,878	\$ -	\$ 61,229	\$ 18,369
Total Long-Term Liabilities	\$ 3,086,204	\$ 139,966	\$ 117,064	\$ 3,109,106	\$ 133,567

* - 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
2022	\$ 26,634	\$ 2,626	\$ 93,198	\$ 76,634	\$ 22,000	\$ 17,100
2023	11,152	1,708	96,357	73,475	23,000	16,569
2024	11,691	1,169	99,624	70,208	23,000	15,994
2025	12,255	606	103,001	66,831	23,000	15,419
2026	-	-	106,493	63,339	24,000	14,844
2027-2031	-	-	1,761,902	213,970	144,000	64,206
2032-2036	-	-	-	-	161,000	44,975
2037-2041	-	-	-	-	146,000	24,113
2042-2046	-	-	-	-	125,000	12,188
2047-2051	-	-	-	-	96,302	3,172
Total	\$ 61,732	\$ 6,109	\$ 2,260,575	\$ 564,457	\$ 787,302	\$ 228,580

MORTON COUNTY

Notes to the Financial Statements -Continued

Lower Heart Water Resource District

During the year ended December 31, 2021, the following changes occurred in governmental and enterprise long-term liabilities of the Lower Heart Water Resource District:

Government Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Loans Payable	\$ -	\$ 131,000	\$ -	\$ 131,000	\$ 13,100
Special Assessments Payable	17,592	-	17,592	-	-
Total Long-Term Debt	\$ 17,592	\$ 131,000	\$ 17,592	\$ 131,000	\$ 13,100

NOTE 10: OPERATING LEASE PAYABLE

Primary Government

The County is engaged in various operating leases. Total lease payments made during 2021 totaled \$78,685. Future lease payments are as follows:

GOVERNMENTAL ACTIVITIES			
Year Ending Dec 31	County Operating Leases		
	Copiers	Graders	Postage
2022	\$ 9,878	\$ 69,123	\$ 1,755
2023	4,416	71,885	-
2024	276	74,758	-
2025	276	421,381	-
2026	-	119,664	-
2027-2031	-	-	-
Totals	\$ 14,846	\$ 756,811	\$ 1,755

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 management.

MORTON COUNTY

Notes to the Financial Statements -Continued

Pension Benefits

Main System

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

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

Law Enforcement System (Without prior main system service)

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

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

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

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

Law Enforcement System (Without prior main system service)

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

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

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

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

At December 31, 2021, the County reported a liability of \$5,404,081 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2021 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, 2021, the County had the following proportions, change in proportions, and pension expense:

	Proportion of Net Pension Liability	Change in Proportions	Pension Expense
Main System	0.555479%	0.004313%	\$ 895,925
Law Enforcement without Main System	17.376302%	0.747607%	375,828

MORTON COUNTY

Notes to the Financial Statements -Continued

At December 31, 2021, 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	\$ 99,959	\$ 590,924
Changes of Assumptions	6,408,141	8,354,876
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	2,147,331
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	88,762	110,396
District Contributions Subsequent to the Measurement Date	484,271	-
Total Main System	\$ 7,081,133	\$ 11,203,527

Law Enforcement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 28,474	\$ 119,589
Changes of Assumptions	801,039	1,063,800
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	245,842
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	82,984	-
District Contributions Subsequent to the Measurement Date	161,754	17,816
Total Law Enforcement System	\$ 1,074,251	\$ 1,447,047

\$484,271 and \$161,754 for the main system and law enforcement system, respectively, were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2022.

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

Year	Main System	Law Enforcement	Total
2022	(677,189)	(76,312)	(753,501)
2023	(1,034,762)	(86,610)	(1,121,372)
2023	(818,832)	(84,130)	(902,962)
2024	(2,075,882)	(171,408)	(2,247,290)
2025	-	(116,090)	(116,090)

Actuarial Assumptions

The total pension liability in the July 1, 2021 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%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Main System	\$ 9,207,665	\$ 5,789,761	\$ 2,943,818
Law Enforcement	47,692	(385,680)	(717,666)

Pension Plan Fiduciary Net Position

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

NOTE 12: OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. . Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

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

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

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

MORTON COUNTY

Notes to the Financial Statements -Continued

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

At December 31, 2021, the County reported a liability of \$370,505 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 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, 2021 the County's proportion was 0.666168 percent which was an increase of 0.0231020 percent from June 30, 2020.

For the year ended June 30, 2021 the County recognized OPEB expense of \$45,549. At December 30, 2021 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Main System	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 21,278	\$ 10,156
Changes of Assumptions	57,377	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	126,944
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	16,859	26,630
District Contributions Subsequent to the Measurement Date	77,538	-
Total Main System	\$ 173,052	\$ 163,730

\$77,538 for the main system was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2022.

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

Year	Main System
2022	(12,750)
2023	(13,664)
2024	(18,908)
2025	(25,466)
2026	(2,572)

Actuarial assumptions

The total OPEB liability in the July 1, 2021 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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
International Equities	21%	6.25%
Domestic Fixed Income	40%	0.50%

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 rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2021, 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 (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Main System	\$ 549,506	\$ 370,505	\$ 219,043

NOTE 13: OPERATING LEASE RECEIVABLE

Component Units

Lower Heart Water Resource District

The Lower Heart Water Resource District leases land to the Mandan Parks and Recreation District for recreational facilities under a long-term lease expiring September 30, 2088, with annual lease payment of \$3,800. Additionally, the District leases land for farming that expired December 31, 2021, with annual lease payments of \$9,150. These leases are considered for accounting purposes to be operating leases. Lease revenues in 2021 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 \$7,933,374 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 \$880,713 for the Missouri West Water System employees. Lower Heart WRD has \$163,323 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, 2020, the most current year audited is as follows:

Assets and Deferred Outflows	\$ 2,246,074
Liabilities and Deferred Inflows	2,893,973
Net Position	\$ (647,899)
Revenues	\$ 3,395,833
Expenses	3,432,160
Change in Net Position	\$ (36,327)

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, 2021:

	Transfers In	Transfers Out
Major Funds		
General Fund	\$ -	\$ 518,729
Special Revenue Fund	3,579,729	3,141,000
Debt Service Fund	208,543	208,543
Non-Major Funds		
Capital Project Fund	80,000	-
Total Transfers	\$ 3,868,272	\$ 3,868,272

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, 2021, there were two outstanding issuances with a balance of \$5,347,772 at December 31, 2021.

NOTE 18: CONSTRUCTION COMMITMENTS

Morton County had no open construction commitments as of December 31, 2021.

Lower Heart Water Resource District had one open construction commitments as of December 31, 2021, as follows:

Project	Amended Contract	Complete	Retainage	Balance to Finish
Lower Heart River Flood Risk Design Phase 2	2,358,862	849,105	-	1,509,757
Total	\$ 2,358,862	\$ 849,105	\$ -	\$ 1,509,757

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, 2021

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 6,963,172	\$ 6,963,172	\$ 7,188,522	\$ 225,350
Licenses, Permits and Fees	43,500	43,500	95,850	52,350
Intergovernmental	2,126,334	2,126,334	2,750,601	624,267
Charges for Services	428,660	428,660	582,079	153,419
Interest Income	2,000	2,000	94,352	92,352
Miscellaneous	343,213	343,213	461,702	118,489
Total Revenues	\$ 9,906,879	\$ 9,906,879	\$ 11,173,106	\$ 1,266,227
EXPENDITURES				
Current				
General Government	\$ 3,953,746	\$ 3,953,746	\$ 3,678,816	\$ 274,930
Public Safety	6,977,618	6,977,618	6,192,828	784,790
Conserv. & Econ Dev	105,300	105,300	104,800	500
Total Expenditures	\$ 11,036,664	\$ 11,036,664	\$ 9,976,444	\$ 955,420
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,129,785)	\$ (1,129,785)	\$ 1,196,662	\$ 2,221,647
OTHER FINANCING SOURCES (USES)				
Transfers Out	\$ (518,729)	\$ (518,729)	\$ (518,729)	\$ -
Total Other Financing Sources (Uses)	\$ (518,729)	\$ (518,729)	\$ (518,729)	\$ -
Net Change in Fund Balances	\$ (1,648,514)	\$ (1,648,514)	\$ 677,933	\$ 2,221,647
Fund Balance - January 1	\$ 3,731,557	\$ 507,968	\$ 5,322,693	\$ (1,591,136)
Fund Balance - December 31	\$ 2,083,043	\$ (1,140,546)	\$ 6,000,626	\$ 630,511

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, 2021

	Original Budget	Amended Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,967,267	\$ 2,967,267	\$ 3,054,263	\$ 86,996
Licenses, Permits, & Fees	-	-	24,593	24,593
Charges for Services	1,128,000	1,128,000	1,409,599	281,599
Intergovernmental	6,807,863	6,807,863	7,381,042	573,179
Miscellaneous	81,999	81,999	88,186	6,187
Total Revenues	\$ 10,985,129	\$ 10,985,129	\$ 11,957,683	\$ 972,554
EXPENDITURES				
Current				
General Government	\$ 227,188	\$ 240,958	\$ 236,935	\$ 4,023
Public Safety	763,000	840,637	872,706	(32,069)
Highways & Public Improve.	5,747,670	6,141,589	6,100,437	41,152
Health and Welfare	4,035,591	4,042,131	3,847,926	194,205
Culture and Recreation	683,437	683,437	577,957	105,480
Conser. Of Natural Resources	547,092	547,092	470,286	76,806
Economic Development	127,035	127,035	127,035	-
Capital Outlay	213,547	223,547	262,483	(38,936)
Debt Service:				
Principal	-	-	54,000	(54,000)
Interest and Service Charge	-	-	3,004	(3,004)
Total Expenditures	\$ 12,344,560	\$ 12,846,426	\$ 12,552,769	\$ 293,657
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,359,431)	\$ (1,861,297)	\$ (595,086)	\$ 1,266,211
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	\$ -	\$ -	\$ 24,770	\$ 24,770
Transfers In	3,579,729	3,579,729	3,579,729	-
Transfers Out	(3,141,000)	(3,141,000)	(3,141,000)	-
Total Other Financing Sources (Uses)	\$ 438,729	\$ 438,729	\$ 463,499	\$ 24,770
Net Change in Fund Balances	\$ (920,702)	\$ (1,422,568)	\$ (131,587)	\$ 1,290,981
Fund Balance - January 1	\$ 8,987,512	\$ 8,987,512	\$ 8,987,512	\$ -
Fund Balance - December 31	\$ 8,066,810	\$ 7,564,944	\$ 8,855,925	\$ 1,290,981

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, 2021

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

Main System - Pension	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.555479%	\$ 5,789,761	\$ 6,290,189	92.04%	78.26%
2020	0.551166%	17,339,800	6,080,026	285.19%	48.91%
2019	0.557895%	6,538,933	5,803,060	112.68%	71.66%
2018	0.558938%	9,432,688	5,742,063	164.27%	62.80%
2017	0.582935%	9,369,679	5,950,848	157.45%	61.98%
2016	0.549545%	5,355,852	5,538,116	96.71%	70.46%
2015	0.583700%	3,969,060	5,200,057	76.33%	77.15%

Law Enforcement System - Pension	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered-employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	17.376302%	\$ (385,680)	\$ 1,928,254	-20.00%	115.21%
2020	16.628695%	1,061,672	1,800,009	58.98%	65.83%
2019	16.259949%	(74,816)	1,591,802	-4.70%	104.84%
2018	27.973321%	271,421	1,709,406	15.88%	89.76%
2017	29.203088%	285,852	1,722,041	16.60%	87.23%
2016	47.562790%	30,465	1,800,009	1.69%	98.17%
2015	46.434907%	(54,345)	1,753,650	-3.10%	104.37%

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 - Pension	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2021	\$ 463,874	\$ (459,430)	\$ 4,444	\$ 6,429,893	7.15%
2020	430,519	(436,757)	(6,238)	6,586,463	6.63%
2019	422,495	(462,612)	(40,117)	5,803,060	7.97%
2018	422,928	(414,582)	8,346	5,742,063	7.22%
2017	431,509	(377,856)	53,653	5,950,848	6.35%
2016	400,951	(439,794)	(38,843)	5,538,116	7.94%
2015	394,986	(374,863)	20,123	5,200,057	7.60%

Law Enforcement System - Pension	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2021	\$ 155,802	\$ (151,570)	\$ 4,232	\$ 1,967,702	7.70%
2020	162,581	(141,088)	21,493	1,896,082	7.44%
2019	108,991	(139,995)	(31,004)	1,591,802	8.79%
2018	131,922	(134,018)	(2,096)	1,709,406	7.84%
2017	145,242	(168,921)	(23,679)	1,722,041	9.81%
2016	176,774	(183,681)	(6,907)	1,800,009	10.20%
2015	143,678	(146,640)	(2,962)	1,753,650	8.19%

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

MORTON COUNTY

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
 For the Year Ended December 31, 2021

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

Main System - OPEB	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered-employee payroll	Proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2021	0.666168%	\$ 370,505	\$ 7,262,949	5.10%	76.63%
2020	0.635148%	534,285	7,240,502	7.38%	63.38%
2019	0.662707%	532,278	7,394,862	7.20%	63.13%
2018	0.680987%	536,324	7,451,469	7.20%	61.89%

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

Main System - OPEB	Statutory required contribution	Contributions in relation to the statutory required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2021	\$ 87,339	\$ (86,375)	\$ 964	\$ 6,429,893	-1.34%
2020	85,061	(86,666)	(1,605)	7,240,502	-1.20%
2019	86,003	(94,218)	(8,215)	7,394,862	-1.27%
2018	87,402	(85,646)	1,756	7,451,469	-1.15%

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

MORTON COUNTY

Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

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	\$ 15,485,560	\$ 501,866	\$ 15,987,426

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

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

NOTE 4: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions decreased from 7.00 percent to 6.50percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

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, 2020.

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

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

OPEB

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Morton County's basic financial statements, and have issued our report thereon dated October 13, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings* as item 2021-001 that we consider to be a significant deficiency.

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

Report on Compliance and Other Matters

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

Morton County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Morton County's response to the findings identified in our audit and 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 the response.

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
October 13, 2022

MORTON COUNTY

Summary of Auditor's Results
For the Year Ended December 31, 2021

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

MORTON COUNTY

Schedule of Audit Findings

For the Year Ended December 31, 2021

2021-001 FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY

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.

Repeat Finding

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

We agree. Morton County will implement a fraud risk assessment in this ensuing fiscal year.

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GOVERNANCE COMMUNICATION

October 13, 2022

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, 2021. Professional standards require that we provide you with information about our responsibilities under general accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 16, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Morton County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by Morton County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

MORTON COUNTY

Governance Communication – Continued

Corrected and Uncorrected Misstatements

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

2021 Adjustments	<u>Audit Adjustments</u>	
	<u>Debit</u>	<u>Credit</u>
General Fund		
<u>To Record Intergovernmental Receivable</u>		
Intergovernmental Receivable	197,682	
Revenue		197,682

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 October 13, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the *budgetary comparison information, schedule of employer’s share of net pension liability and employer contributions, schedule of employer’s share of net OPEB liability and employer contributions, and notes to the required supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

MORTON COUNTY

Governance Communication – Continued

Restriction on Use

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
October 13, 2022



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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