



Morton County  
Mandan, North Dakota

# Audit Report

For the Year Ended December 31, 2016

**JOSHUA C. GALLION**  
STATE AUDITOR

Office of the State Auditor  
Division of Local Government

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MORTON COUNTY  
Mandan, North Dakota

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For the Year Ended December 31, 2016

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MORTON COUNTY  
Mandan, North Dakota

**COUNTY OFFICIALS**

December 31, 2016

Bruce Strinden  
Andrew Zachmeier  
Cody Schulz  
Ron Leingang  
James Boehm

Dawn R Rhone  
Vicki Lippert  
Kyle Kirchmeier  
Carole Schaner  
Allan Kopy  
Dale Ekstrom

Commissioner - Chairman  
Commissioner - Vice Chairman  
Commissioner  
Commissioner  
Commissioner

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



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

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INDEPENDENT AUDITOR'S REPORT

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Board of County Commissioners  
Morton County  
Mandan, North Dakota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County, Mandan, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lower Heart Water Resource District, which represent 5 percent, 5 percent, and 9 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lower Heart Water Resource District, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County, Mandan, North Dakota, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## MORTON COUNTY

### Independent Auditor's Report - Continued

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#### **Other Matters**

##### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension schedules, and the notes to the required supplementary information* on pages 37-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morton County's basic financial statements. The *schedule of fund activity* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of fund activity* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2017 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

Fargo, North Dakota  
July 27, 2017

MORTON COUNTY  
Mandan, North Dakota  
STATEMENT OF NET POSITION  
December 31, 2016

	Primary Government	Component Units	
	Governmental Activities	Morton Co. Water Resource District	Lower Heart Water Resource District
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<u>Assets</u>			
Cash and Investments	\$ 9,572,542	\$ 3,308,129	\$ 477,087
Restricted Cash & Investments With Fiscal Agent	3,074,292	-	-
Restricted Investments	-	143,732	-
Accounts Receivable	238,908	135,988	-
Due from County Treasurer	-	549	50,920
Intergovernmental Receivable	3,395,480	-	-
Loans Receivable	132,663	-	-
Prepaid Expense	-	-	13,665
Taxes Receivable	176,705	3,660	3,660
Special Assessments Receivable	2,869	2,861	-
Uncertified Special Assessments Receivable	747,911	104,815	-
Bond Discount	64,125	-	-
Capital Assets (not being depreciated):			
Land	1,751,559	1,052,888	341,721
Right of Ways	549,727	631,285	-
Construction in Progress	11,154,423	197,577	-
Capital Assets (net of accumulated depreciation):			
Buildings and Improvements	7,310,782	164,742	400
Vehicles and Equipment	2,844,935	121,028	111,837
Improvements	49,757	-	155,170
Infrastructure	49,713,568	16,755,016	-
Total Capital Assets & right of ways	\$ 73,374,751	\$ 18,922,536	\$ 609,128
Total Assets	\$ 90,780,246	\$ 22,622,270	\$ 1,154,460
<u>Deferred Outflows of Resources</u>			
Pensions	\$ 2,410,983	\$ -	\$ -
Total Assets & Deferred Outflows of Resources	\$ 93,191,229	\$ 22,622,270	\$ 1,154,460
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
<u>Liabilities</u>			
Accounts Payable	\$ 2,157,911	\$ 61,681	\$ -
Salaries and Benefits Payable	332,509	16,490	-
Payroll Liability	-	1,940	-
Retainage Payable	582,901	30,000	-
Interest Payable	75,506	57,473	-
Other Liability	594	-	-
Long-Term Liabilities:			
Due Within One Year:			
Sales Tax Bonds Payable	339,000	-	-
Bonds Payable	-	87,274	-
Special Assessments Payable	-	-	18,227
Loans Payable	73,988	6,000	-
Capital Lease Payable	622,611	-	-
Special Assessments Loan Payable	-	14,000	-
Compensated Absences Payable	121,113	19,274	-
Due After One Year:			
Sales Tax Bonds Payable	7,509,750	-	-
Bonds Payable	-	2,687,367	-
Special Assessments Payable	-	-	70,397
Loan Drawdown Payable	2,967,776	-	-
Loans Payable	714,522	212,000	-
Special Assessments Loan Payable	-	77,000	-
Compensated Absences Payable	1,090,015	44,972	-
Net Pension Liability	5,386,317	-	-
Total Liabilities	\$ 21,974,513	\$ 3,315,471	\$ 88,624
<u>Deferred Inflows of Resources</u>			
Taxes Received in Advance	\$ 2,589,669	\$ -	\$ -
Pensions	583,598	-	-
Total Deferred Inflows of Resources	\$ 3,173,267	\$ -	\$ -
Total Liabilities & Deferred Inflows of Resources	\$ 25,147,780	\$ 3,315,471	\$ 88,624
<b>NET POSITION:</b>			
Net Investment in Capital Assets	\$ 61,211,229	\$ 15,207,610	\$ 609,128
Restricted for:			
Intangible Assets	-	631,285	-
Debt Service	841,506	143,732	-
Capital Projects	3,524,006	-	-
Highways & Public Improvement	1,349,575	-	-
Culture and Recreation	242,790	-	-
Conservation of Natural Resources	463,214	-	-
Emergencies	544,360	-	-
Economic Development	48,631	-	-
Dam Maintenance	-	91,758	-
General Government	782,000	-	-
Unrestricted	(963,862)	3,232,414	456,708
Total Net Position	\$ 68,043,449	\$ 19,306,799	\$ 1,065,836

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

MORTON COUNTY  
Mandan, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

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 Governmental Activities	Component Units	
					Morton Co. WRD	Lower Heart WRD	
<u>Primary Government:</u>							
<u>Governmental Activities</u>							
General Government	\$ 3,756,404	\$ 710,130	\$ 8,700	\$ -	\$ (3,037,574)	\$ -	\$ -
Public Safety	8,421,663	751,575	942,784	-	(6,727,304)	-	-
Highways & Public Improvement	10,913,524	103,586	6,859,616	362,474	(3,587,848)	-	-
Health and Welfare	3,217,810	21,981	1,177,172	-	(2,018,657)	-	-
Culture and Recreation	642,354	-	88,517	-	(553,837)	-	-
Conserv. of Natural Resources	641,089	-	63,461	-	(577,628)	-	-
Economic Development	122,474	-	-	-	(122,474)	-	-
Interest on Long-term Debt	359,024	-	-	-	(359,024)	-	-
<b>Total Governmental Activities</b>	<b>\$ 28,074,342</b>	<b>\$ 1,587,272</b>	<b>\$ 9,140,250</b>	<b>\$ 362,474</b>	<b>\$ (16,984,346)</b>	<b>\$ -</b>	<b>\$ -</b>
<u>Component Units:</u>							
Morton Co. Water Resource	\$ 2,254,342	\$ 1,887,050	\$ 79,758	\$ 187,463	\$ -	\$ (100,071)	\$ -
Lower Heart Water Resource	228,136	-	-	-	-	-	(228,136)
<b>Total Component Units</b>	<b>\$ 2,482,478</b>	<b>\$ 1,887,050</b>	<b>\$ 79,758</b>	<b>\$ 187,463</b>	<b>\$ -</b>	<b>\$ (100,071)</b>	<b>\$ (228,136)</b>
<u>General Revenues:</u>							
Taxes:							
Property taxes: levied for general purposes					\$ 6,091,761	\$ 144,986	\$ 205,287
Property taxes: levied for special purposes					2,968,215	11,449	-
Sales taxes					1,679,416	-	-
Unrestricted State Revenue					4,161,134	-	-
Earnings on Investments					386,518	5,703	598
Miscellaneous					783,521	23,457	8,542
<b>Total General Revenues</b>					<b>\$ 16,070,565</b>	<b>\$ 185,595</b>	<b>\$ 214,427</b>
<b>Change in Net Position</b>					<b>\$ (913,781)</b>	<b>\$ 85,524</b>	<b>\$ (13,709)</b>
<b>Net Position - January 1</b>					<b>\$ 69,182,396</b>	<b>\$ 19,221,972</b>	<b>\$ 1,079,545</b>
<b>Prior Period Adjustment</b>					<b>(225,166)</b>	<b>(697)</b>	<b>-</b>
<b>Net Position - January 1, as adjusted</b>					<b>\$ 68,957,230</b>	<b>\$ 19,221,275</b>	<b>\$ 1,079,545</b>
<b>Net Position - December 31</b>					<b>\$ 68,043,449</b>	<b>\$ 19,306,799</b>	<b>\$ 1,065,836</b>

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

MORTON COUNTY  
Mandan, North Dakota

BALANCE SHEET  
December 31, 2016

	Major Funds							Other Governmental Funds	Total Governmental Funds
	General	County Road & Bridge	Highway Distribution Tax	Farm to Market Road	Social Welfare	Berube Apartment Building	County Jail Maintenance & Construction		
<b>ASSETS</b>									
Cash and Investments	\$ 4,143,449	\$ 1,639,295	\$ -	\$ -	\$ 823,965	\$ 630	\$ -	\$ 2,965,203	\$ 9,572,542
Restricted Cash & Investments With Fiscal Agent	-	-	-	-	-	-	3,074,292	-	3,074,292
Accounts Receivable	102,705	14,595	-	-	-	5,546	-	116,062	238,908
Intergovernmental Receivables	458,142	262	254,421	2,499,814	73,337	-	-	109,504	3,395,480
Interfund Loan Receivable	-	-	-	-	-	-	-	782,000	782,000
Due from Other Funds	977,531	239,961	-	-	-	-	-	-	1,217,492
Loans Receivable	-	-	-	-	-	-	90,085	42,578	132,663
Taxes Receivable	107,762	545	-	8,029	32,497	-	-	27,872	176,705
Special Assessments Receivable	-	-	-	-	-	-	-	2,869	2,869
Uncerfied Special Assessments Rec.	-	-	-	-	-	-	-	747,911	747,911
<b>Total Assets</b>	<b>\$ 5,789,589</b>	<b>\$ 1,894,658</b>	<b>\$ 254,421</b>	<b>\$ 2,507,843</b>	<b>\$ 929,799</b>	<b>\$ 6,176</b>	<b>\$ 3,164,377</b>	<b>\$ 4,793,999</b>	<b>\$ 19,340,862</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts Payable	\$ 181,297	\$ 1,396,939	\$ -	\$ -	\$ 4,166	\$ 4,684	\$ -	\$ 570,825	\$ 2,157,911
Salaries and Benefits Payable	285,879	45,225	-	-	1,405	-	-	-	332,509
Interfund Loan Payable	-	-	-	-	-	782,000	-	-	782,000
Other Liability	594	-	-	-	-	-	-	-	594
Due to Other Funds	-	-	239,961	465,279	-	-	-	512,252	1,217,492
<b>Total Liabilities</b>	<b>\$ 467,770</b>	<b>\$ 1,442,164</b>	<b>\$ 239,961</b>	<b>\$ 465,279</b>	<b>\$ 5,571</b>	<b>\$ 786,684</b>	<b>\$ -</b>	<b>\$ 1,083,077</b>	<b>\$ 4,490,506</b>
<b>Deferred Inflows of Resources:</b>									
Taxes Receivable	\$ 107,762	\$ 545	\$ -	\$ 8,029	\$ 32,497	\$ -	\$ -	\$ 27,872	\$ 176,705
Special Assessments Receivable	-	-	-	-	-	-	-	2,869	2,869
Uncert. Special Assessments Rec.	-	-	-	-	-	-	-	747,911	747,911
Taxes Received in Advance	1,584,459	137,899	-	121,269	454,584	-	-	291,458	2,589,669
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,692,221</b>	<b>\$ 138,444</b>	<b>\$ -</b>	<b>\$ 129,298</b>	<b>\$ 487,081</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,070,110</b>	<b>\$ 3,517,154</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 2,159,991</b>	<b>\$ 1,580,608</b>	<b>\$ 239,961</b>	<b>\$ 594,577</b>	<b>\$ 492,652</b>	<b>\$ 786,684</b>	<b>\$ -</b>	<b>\$ 2,153,187</b>	<b>\$ 8,007,660</b>
<b>Fund Balances:</b>									
<b>Non-Spendable:</b>									
Loans Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,085	\$ 824,578	\$ 914,663
<b>Restricted for:</b>									
Debt Service	-	-	-	-	-	-	-	166,232	166,232
General Government	-	-	-	-	-	-	-	32,663	32,663
Public Safety	-	-	-	-	-	-	-	605,266	605,266
Highways & Public Improvement	-	314,050	14,460	1,913,266	-	-	-	113,964	2,355,740
Emergency	-	-	-	-	-	-	-	544,111	544,111
Health and Welfare	-	-	-	-	437,147	-	-	54,519	491,666
Culture and Recreation	-	-	-	-	-	-	-	360,167	360,167
Conservation of Natural Resources	-	-	-	-	-	-	-	500,683	500,683
Economic Development	-	-	-	-	-	-	-	5,159	5,159
Capital Projects	-	-	-	-	-	-	3,074,292	317,051	3,391,343
<b>Unassigned</b>									
General Fund	3,629,598	-	-	-	-	-	-	-	3,629,598
Negative Fund Balances	-	-	-	-	-	(780,508)	-	(883,581)	(1,664,089)
<b>Total Fund Balances</b>	<b>\$ 3,629,598</b>	<b>\$ 314,050</b>	<b>\$ 14,460</b>	<b>\$ 1,913,266</b>	<b>\$ 437,147</b>	<b>\$ (780,508)</b>	<b>\$ 3,164,377</b>	<b>\$ 2,640,812</b>	<b>\$ 11,333,202</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,789,589</b>	<b>\$ 1,894,658</b>	<b>\$ 254,421</b>	<b>\$ 2,507,843</b>	<b>\$ 929,799</b>	<b>\$ 6,176</b>	<b>\$ 3,164,377</b>	<b>\$ 4,793,999</b>	<b>\$ 19,340,862</b>

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



MORTON COUNTY  
Mandan, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2016

Total <i>Fund Balances</i> for Governmental Funds		\$ 11,333,202
Total <i>net position</i> reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	\$ 138,719,302	
Less Accumulated Depreciation	<u>(65,344,551)</u>	73,374,751
Property taxes and special assessments will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.		
Taxes Receivable	\$ 176,705	
Certified Special Assessments Receivable	2,869	
Uncertified Special Assessments Receivable	<u>747,911</u>	927,485
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	\$ 2,410,983	
Deferred Inflows Related to Pensions	<u>(583,598)</u>	1,827,385
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of Net Position. Balances at December 31, 2016 are:		
Sales Tax Bond Payable	\$ (7,848,750)	
Less: Bond Discount	64,125	
Loan Drawdown	(2,967,776)	
Loans Payable	(788,510)	
Capital Lease	(622,611)	
Interest Payable	(75,506)	
Retainage Payable	(582,901)	
Compensated Absences	(1,211,128)	
Net Pension Liability	<u>(5,386,317)</u>	
Total Long-Term Liabilities		<u>(19,419,374)</u>
Total Net Position of Governmental Activities		<u>\$ 68,043,449</u>

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

MORTON COUNTY  
Mandan, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016

	Major Funds							Other Governmental Funds	Total Governmental Funds
	General	County Road & Bridge	Highway Distribution Tax	Farm to Market Road	Social Welfare	Berube Apartment Building	County Jail Maintenance & Construction		
<b>Revenues:</b>									
Property Taxes	\$ 6,029,164	\$ 23,974	\$ -	\$ 395,170	\$ 1,432,953	\$ -	\$ -	\$ 1,124,429	\$ 9,005,690
Sales Taxes	-	-	-	-	-	-	1,679,416	-	1,679,416
Special Assessments	-	-	-	-	-	-	-	103,600	103,600
Intergovernmental Revenues	3,229,143	224,769	2,826,407	3,923,127	1,489,685	-	-	1,608,253	13,301,384
Charges for Services	465,688	34,189	-	-	-	183,266	-	630,607	1,313,750
Licenses, Permits, & Fees	204,125	69,397	-	-	-	-	-	-	273,522
Interest Income	386,503	-	-	-	-	-	15	-	386,518
Miscellaneous Revenues	281,720	210,044	-	-	-	-	13,886	277,871	783,521
<b>Total Revenues</b>	<b>\$ 10,596,343</b>	<b>\$ 562,373</b>	<b>\$ 2,826,407</b>	<b>\$ 4,318,297</b>	<b>\$ 2,922,638</b>	<b>\$ 183,266</b>	<b>\$ 1,693,317</b>	<b>\$ 3,744,760</b>	<b>\$ 26,847,401</b>
<b>Expenditures:</b>									
<b>Current</b>									
General Government	\$ 3,289,440	\$ -	\$ -	\$ -	\$ -	\$ 104,131	\$ -	\$ 493,916	\$ 3,887,487
Public Safety	6,274,561	-	-	-	-	-	-	1,864,920	8,139,481
Highways & Public Improvements	-	6,186,809	-	1,859,594	-	-	-	-	8,046,403
Health and Welfare	-	-	-	-	2,967,581	-	-	167,691	3,135,272
Culture and Recreation	-	-	-	-	-	-	-	686,821	686,821
Conserv. of Natural Resources	112,428	-	-	-	-	-	-	527,064	639,492
Economic Development	-	-	-	-	-	-	-	122,474	122,474
Capital Outlay	-	39,805	-	-	-	-	6,073,230	606,948	6,719,983
<b>Debt Service:</b>									
Principal	1,516	78,014	-	-	-	-	1,151,250	82,888	1,313,668
Interest and Service Charge	80	27,231	-	-	-	-	317,833	11,939	357,083
<b>Total Expenditures</b>	<b>\$ 9,678,025</b>	<b>\$ 6,331,859</b>	<b>\$ -</b>	<b>\$ 1,859,594</b>	<b>\$ 2,967,581</b>	<b>\$ 104,131</b>	<b>\$ 7,542,313</b>	<b>\$ 4,564,661</b>	<b>\$ 33,048,164</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 918,318</b>	<b>\$ (5,769,486)</b>	<b>\$ 2,826,407</b>	<b>\$ 2,458,703</b>	<b>\$ (44,943)</b>	<b>\$ 79,135</b>	<b>\$ (5,848,996)</b>	<b>\$ (819,901)</b>	<b>\$ (6,200,763)</b>
<b>Other Financing Sources (Uses):</b>									
Loan Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,935,726	\$ 389,405	\$ 2,325,131
Transfers In	117,000	8,250,000	-	-	-	-	-	284,504	8,651,504
Transfers Out	(203,821)	-	(6,250,000)	(750,000)	-	-	-	(1,447,683)	(8,651,504)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (86,821)</b>	<b>\$ 8,250,000</b>	<b>\$ (6,250,000)</b>	<b>\$ (750,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,935,726</b>	<b>\$ (773,774)</b>	<b>\$ 2,325,131</b>
<b>Net Change in Fund Balances</b>	<b>\$ 831,497</b>	<b>\$ 2,480,514</b>	<b>\$ (3,423,593)</b>	<b>\$ 1,708,703</b>	<b>\$ (44,943)</b>	<b>\$ 79,135</b>	<b>\$ (3,913,270)</b>	<b>\$ (1,593,675)</b>	<b>\$ (3,875,632)</b>
Fund Balance - January 1	\$ 2,798,101	\$ (2,166,464)	\$ 3,438,053	\$ 204,563	\$ 482,090	\$ (861,511)	\$ 7,077,647	\$ 4,234,487	\$ 15,206,966
Prior Period Adjustment	-	-	-	-	-	1,868	-	-	1,868
Fund Balance - Jan. 1, as restated	\$ 2,798,101	\$ (2,166,464)	\$ 3,438,053	\$ 204,563	\$ 482,090	\$ (859,643)	\$ 7,077,647	\$ 4,234,487	\$ 15,208,834
Fund Balance - December 31	\$ 3,629,598	\$ 314,050	\$ 14,460	\$ 1,913,266	\$ 437,147	\$ (780,508)	\$ 3,164,377	\$ 2,640,812	\$ 11,333,202

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

MORTON COUNTY  
Mandan, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

Net Change in *Fund Balances* - Total Governmental Funds \$ (3,875,632)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays & capital contributions exceeded depreciation in the current year.

Capital Outlay	\$ 7,313,059	
Capital Contribution	362,474	
Depreciation Expense	<u>(3,321,736)</u>	4,353,797

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the loss on the capital assets sold. (47,163)

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

Increase in Compensated Absences Payable	\$ (127,144)	
Increase in Retainage Payable	(257,992)	
Decrease in Interest Payable	<u>1,434</u>	(383,702)

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

Amortization of Bond Discount	\$ (3,375)	
Repayment of Loan Principal	82,888	
Drawdown of Loan	(1,935,726)	
Issuance of Loans	(389,405)	
Repayment of Bond Principal	1,151,250	
Repayment of Capital Lease	<u>79,530</u>	(1,014,838)

The Net Pension 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.

Increase Net Pension Liability	\$ (1,471,602)	
Increase in Deferred Outflows of Resources	1,254,953	
Increase in Deferred Inflows of Resources	<u>(42,754)</u>	(259,403)

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

Increase in Taxes Receivable	\$ 54,286	
Increase in Certified Special Assessment Receivable	645	
Increase in Uncertified Special Assessments Receivable	<u>258,229</u>	313,160

Change in Net Position of Governmental Activities \$ (913,781)

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

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MORTON COUNTY  
Mandan, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
December 31, 2016

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	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 7,794,805</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>\$ 7,794,805</u>

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

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MORTON COUNTY  
Mandan, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Financial Reporting Entity

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

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

**COMPONENT UNITS**

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

Blended Component Units: Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

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

Morton County Library:

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

Morton County Economic Development:

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

Discretely Presented Component Units: The discretely presented component units' columns in the basic financial statements include the financial data of the county's two component units. These units are reported in separate columns to emphasize that they are legally separate from the county.

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

## MORTON COUNTY

### Notes to the Financial Statements – Continued

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Lower Heart River Water Resource District: The members of the governing board are appointed by the Board of County Commissioners and can be removed from office by the County Commissioners for just cause. The County Commission can approve, disapprove or amend the district's annual budget. The district has the authority to issue debt. The financial statements of the Lower Heart Water Resource District are audited by other auditors and a separate standalone audit report is issued. A complete audit report may be obtained from Mahlum Goodhart, PC, 204 E. Main St., Mandan, North Dakota, 58554.

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

Administrative Offices:

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

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

B. Government-wide and Fund Financial Statements

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

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

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

The county reports the following major governmental funds:

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

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

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

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

## MORTON COUNTY

### Notes to the Financial Statements – Continued

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

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

*County Jail Maintenance & Construction Fund.* This fund accounts for resources accumulated for the construction of the new correctional center, and for maintenance costs. Primary sources of inflows and revenues in this fund are bond and loan proceeds, restricted tax levy and restricted sales tax.

Additionally, the County reports the following fund type:

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

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

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

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

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

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

#### D. Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

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

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

E. Capital Assets**PRIMARY GOVERNMENT:**

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

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

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

<b>ASSETS</b>	<b>YEARS</b>
Infrastructure	50
Buildings	50
Machinery & Equipment	5
Vehicles	5
Equipment	5

**DISCRETELY PRESENTED COMPONENT UNITS:**Morton County Water Resource District:

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

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

<b>ASSETS</b>	<b>YEARS</b>
Buildings	40
Machinery	5 - 15
Infrastructure	40
Vehicles	3 - 5
Office Equipment	3 - 5



**MORTON COUNTY**

## Notes to the Financial Statements – Continued

Lower Heart Water Resource District:

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

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

<b>ASSETS</b>	<b>YEARS</b>
Buildings	50
Vehicles	15
Improvements to Infrastructure	50
Machinery and Equipment	5 – 25

F. Compensated Absences

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

Vacation leave is earned as follows:

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

G. Long-Term Obligations

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

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

H. 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

I. Fund Balance / Net Position

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

***Fund Balance Spending Policy:***

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

***Minimum Fund Balance Policy:***

The Morton County budget committee established an 8% general fund carryover balance target to help with financial stability. The general fund carryover balance is part of the budget recommendation adopted by the county each fiscal year. This level provides sufficient unassigned resources to avoid short-term cash flow borrowing for the district. Unassigned general fund balance of \$3,629,598 at December 31, 2016 represents 38% of annual 2016 expenditures.

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

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

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

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

***Major Special Revenue Fund Purposes & Revenue Sources:***

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

***Fund Balance Reporting and Governmental Fund Type Definitions***

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

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

TABLE CONTINUED ON NEXT PAGE.....

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the county auditor.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

Morton County reports non-spendable, restricted and unassigned fund balances at December 31, 2016.

**Non-Spendable Fund Balance:**

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

**Restricted Fund Balances:**

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

**Special Revenue Funds – Restricted & Committed Fund Balances:**

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

**Unassigned Fund Balances:**

Unassigned fund balances represent the amount reported in the general fund and amounts for negative fund balances in the following funds: Berube Apartment Building, Nurturing Parent, MANTF Operating Funds, Dakota Access Pipeline Protest, Schlosser's Specials #5, and Entzel's Specials #5.

**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, and less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

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

## MORTON COUNTY

### Notes to the Financial Statements – Continued

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

#### J. Interfund Transactions

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

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

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

#### **NOTE 2: DEPOSITS AND INVESTMENTS**

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

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

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

At year ended December 31, 2016, the County's carrying amount of deposits was \$17,347,165 and the bank balances were \$13,938,275. Of the bank balances, \$3,909,067 was covered by Federal Depository Insurance. The remaining balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2016, Morton County Water Resource District's carrying amount of deposits was \$3,451,775, and the bank balances were \$3,484,745. Of the bank balances, \$1,380,237 was covered by Federal Depository Insurance. The remaining balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2015, the Lower Heart River Water Resource District's carrying amount of deposits was \$477,087, and the bank balances were \$477,389. Of the bank balances, \$457,644 was covered by Federal Depository Insurance. The remaining 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

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Credit Risk:

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

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2016, the County held certificates of deposit in the amount of \$2,786,166, which are all considered deposits.

As of December 31, 2016, Morton County Water Resource District held certificates of deposit in the amount of \$1,260,864, which are all considered deposits.

As of December 31, 2016, Lower Heart River Water Resource District held certificates of deposit in the amount of \$396,489, which are all considered investments.

Interest Rate Risk:

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

Concentration of Credit Risk:

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

**NOTE 3: RESTRICTED CASH AND INVESTMENTS**

**PRIMARY GOVERNMENT**

Morton County reports restricted cash and investments with fiscal agent in the County Jail and Maintenance 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 County Jail Construction totaling \$3,074,292.

**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 \$143,732 reported in the enterprise funds for debt service.

**NOTE 4: ACCOUNTS RECEIVABLE**

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

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 5: INTERGOVERNMENTAL RECEIVABLES**

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

**NOTE 6: LOANS RECEIVABLE**

Morton County has the following loan receivable at December 31, 2016:

Loan to the Morton County Fair Board for the construction of a building at the fairgrounds. The original loan was for \$57,914 with interest at 5%. In 2011, the Morton County Fair Board borrowed an additional \$81,532. \$ 42,578

Additionally, loans receivable exist in the jail construction fund totaling \$90,845, and represents the amount of loan drawdown proceeds owed from the Bank of North Dakota at year end.

**NOTE 7: INTERFUND RECEIVABLES/PAYABLES**

Interfund loan receivable/Interfund loan payable:

Interfund loans receivable and payable total \$782,000. The following table represents the amounts of loans receivable and loans payable by fund reported in the balance sheet:

	Due To	Due From
Berube Apartment Building	\$ -	\$ 782,000
Equipment Replacement	782,000	-
<b>Total</b>	<b>\$ 782,000</b>	<b>\$ 782,000</b>

Due to other funds/Due from other funds:

The due to/due from other funds totaling \$1,217,492 represents the amounts of negative cash in several funds borrowed from the general fund and the county road & bridge fund.

	Due To	Due From
<u>Major Funds</u>		
General Fund	\$ -	\$ 977,531
County Road and Bridge	239,961	-
Highway Tax Distribution	-	239,961
<u>Nonmajor Funds</u>		
Farm to Market	\$ 465,279	\$ -
Nurturing Parent	11,918	-
MANTF Operating Funds	75,434	-
Dakota Access Pipeline Protest	420,467	-
Schlosser's Specials #5	4,433	-
<b>Total</b>	<b>\$ 1,217,492</b>	<b>\$ 1,217,492</b>

**NOTE 8: TAXES AND SPECIAL ASSESSMENT RECEIVABLE**

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

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

**MORTON COUNTY**

Notes to the Financial Statements – Continued

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

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

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

**NOTE 9: CAPITAL ASSETS**

**PRIMARY GOVERNMENT:**

The following is a summary of changes in capital assets for the year ended December 31, 2016:

<b>Governmental Activities:</b>	<b>Bal. Jan. 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,751,559		\$ -	\$ -	\$ 1,751,559
Intangibles - right of ways	549,727		-	-	549,727
Construction in Progress	5,178,747	6,315,545	-	(339,869)	11,154,423
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 7,480,033</b>	<b>\$ 6,315,545</b>	<b>\$ -</b>	<b>\$ (339,869)</b>	<b>\$ 13,455,709</b>
<i>Capital assets being depreciated:</i>					
Buildings	\$ 12,622,332	\$ 402,944	\$ -		\$ 13,025,276
Vehicles & Equipment	11,694,772	957,044	91,639	-	12,560,177
Improvements	141,433		-	-	141,433
Infrastructure	99,208,109		11,270	339,869	99,536,708
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 123,666,646</b>	<b>\$ 1,359,988</b>	<b>\$ 102,909</b>	<b>\$ 339,869</b>	<b>\$ 125,263,594</b>
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 5,453,989	\$ 260,505	\$ -	\$ -	\$ 5,714,494
Vehicles & Equipment	8,291,759	1,470,277	46,794	-	9,715,242
Improvements	86,532	5,144	-	-	91,676
Infrastructure	48,246,283	1,585,809	8,952	-	49,823,140
<b>Total Accumulated Depreciation</b>	<b>\$ 62,078,563</b>	<b>\$ 3,321,735</b>	<b>\$ 55,746</b>	<b>\$ -</b>	<b>\$ 65,344,552</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 61,588,083</b>	<b>\$ (1,961,747)</b>	<b>\$ 47,163</b>	<b>\$ 339,869</b>	<b>\$ 59,919,042</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 69,068,116</b>	<b>\$ 4,353,798</b>	<b>\$ 47,163</b>	<b>\$ -</b>	<b>\$ 73,374,751</b>

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

<b>Governmental Activities:</b>	<b>Total</b>
General Government	\$ 181,374
Public Safety	296,143
Highway and Bridges	2,772,402
Health and Welfare	27,662
Conservation of Natural Resources	1,700
Culture and Recreation	42,454
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 3,321,735</b>

**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 Morton County Water Resource District, a discretely presented component unit of Morton County, for the year ended December 31, 2016:

<b>Governmental Activities - Morton WRD:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,051,788	\$ -	\$ -	\$ 1,051,788
<i>Capital assets being depreciated:</i>				
Buildings	\$ 206,124	\$ -	\$ -	\$ 206,124
Equipment/Vehicles	47,111	55,580	-	102,691
Infrastructure	7,665,161	-	-	7,665,161
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 7,918,396</b>	<b>\$ 55,580</b>	<b>\$ -</b>	<b>\$ 7,973,976</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 36,956	\$ 9,000	\$ -	\$ 45,956
Equipment/Vehicles	22,531	9,176	-	31,707
Infrastructure	1,089,290	164,980	-	1,254,270
<b>Total Accumulated Depreciation</b>	<b>\$ 1,148,777</b>	<b>\$ 183,156</b>	<b>\$ -</b>	<b>\$ 1,331,933</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 6,769,619</b>	<b>\$ (127,576)</b>	<b>\$ -</b>	<b>\$ 6,642,043</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 7,821,407</b>	<b>\$ (127,576)</b>	<b>\$ -</b>	<b>\$ 7,693,831</b>

<b>Business-Type Activities - Morton WRD:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,100	\$ -	\$ -	\$ 1,100
Construction in Progress	1,246,237	227,577	1,276,237	197,577
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 1,247,337</b>	<b>\$ 227,577</b>	<b>\$ 1,276,237</b>	<b>\$ 198,677</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 9,800	\$ -	\$ -	\$ 9,800
Equipment	444,190	62,827	45,270	461,747
Infrastructure	14,891,827	1,276,237	-	16,168,064
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 15,345,817</b>	<b>\$ 1,339,064</b>	<b>\$ 45,270</b>	<b>\$ 16,639,611</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 4,900	\$ 327	\$ -	\$ 5,227
Equipment	412,709	21,629	22,635	411,703
Infrastructure	5,500,577	323,361	-	5,823,938
<b>Total Accumulated Depreciation</b>	<b>\$ 5,918,186</b>	<b>\$ 345,317</b>	<b>\$ 22,635</b>	<b>\$ 6,240,868</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 9,427,631</b>	<b>\$ 993,747</b>	<b>\$ 22,635</b>	<b>\$ 10,398,743</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 10,674,968</b>	<b>\$ 1,221,324</b>	<b>\$ 1,298,872</b>	<b>\$ 10,597,420</b>

Amortization of Intangible Asset:

<b>Business-Type Activities - Morton WRD:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
Right to purchase Water	\$ 1,371,300	\$ -	\$ -	\$ 1,371,300
Less: Amortization	708,451	31,564	-	740,015
<b>Business-Type Activities Intangible Assets, Net</b>	<b>\$ 662,849</b>	<b>\$ (31,564)</b>	<b>\$ -</b>	<b>\$ 631,285</b>

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



**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, 2016:

<b>Lower Heart Water Resource District</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 341,721	\$ -	\$ -	\$ 341,721
Construction in Progress	158,335	-	158,335	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 500,056</b>	<b>\$ -</b>	<b>\$ 158,335</b>	<b>\$ 341,721</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 20,000	\$ -	\$ -	\$ 20,000
Equipment & Machinery	347,785	-	-	347,785
Improvements to Infrastructure	-	158,335	-	158,335
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 367,785</b>	<b>\$ 158,335</b>	<b>\$ -</b>	<b>\$ 526,120</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 19,200	\$ 400	\$ -	\$ 19,600
Equipment & Machinery	222,575	13,373	-	235,948
Improvements to Infrastructure	-	3,165	-	3,165
<b>Total Accumulated Depreciation</b>	<b>\$ 241,775</b>	<b>\$ 16,938</b>	<b>\$ -</b>	<b>\$ 258,713</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 126,010</b>	<b>\$ 141,397</b>	<b>\$ -</b>	<b>\$ 267,407</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 626,066</b>	<b>\$ 141,397</b>	<b>\$ 158,335</b>	<b>\$ 609,128</b>

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

**NOTE 10: ACCOUNTS PAYABLE**

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2016 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

**NOTE 11: SALARIES AND BENEFITS PAYABLE**

Salaries and benefits payable consists of amounts due to employees and benefits for services rendered prior to December 31, 2016 but paid subsequent to that date.

**NOTE 12: INTEREST PAYABLE**

Interest payable consists of interest amounts accrued on loans and leases payable at December 31, 2016, but not paid until after year-end.

**NOTE 13: LONG-TERM LIABILITIES****PRIMARY GOVERNMENT**

**Changes in Long-Term Liabilities** - During the year ended December 31, 2016, the following changes occurred in long-term liabilities for Morton County:

	<b>Bal. Jan. 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 9,000,000	\$ -	\$ 1,151,250	\$ 7,848,750	\$ 339,000
Less: Bond Discount	(67,500)	-	(3,375)	(64,125)	(3,375)
Loan Drawdown	1,032,050	1,935,726	-	2,967,776	-
Loans Payable	481,993	389,405	82,888	788,510	73,988
Leases Payable	702,141	-	79,530	622,611	622,611
Compensated Absences *	1,083,984	127,144	-	1,211,128	121,113
Net Pension Liability *	3,914,715	1,471,602	-	5,386,317	-
<b>Total Governmental Activities</b>	<b>\$ 16,147,383</b>	<b>\$ 3,923,877</b>	<b>\$ 1,310,293</b>	<b>\$ 18,760,967</b>	<b>\$ 1,153,337</b>

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

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

Debt Issued:

A loan exists with Wells Fargo Bank to draw down up to \$30,000,000 for construction costs related to the correctional center. The loan is 85% the responsibility of Burleigh County, and 15% the responsibility of Morton County. Morton County's share of the loan is \$4,500,000. As of December 31, 2016, \$19,785,173 had been drawn down, of which \$2,967,776 is the responsibility of Morton County. No set payment schedule exists as of yet for the loan. The county is notified periodically to pay interest at the rate of 2.34%. Morton County's share of the drawdowns was \$1,032,050 in 2015, and \$1,935,726 in 2016. No payments have been made on this loan to date as of December 31, 2016.

Outstanding debt (excluding compensated absences and net pension liability) at December 31, 2016 consists of the following issues:

**Bonds Payable:**

\$9,000,000 Sales Tax Bonds of 2015 – Series A due in annual installments of \$1,921,000 to \$1,154,250 through November 1, 2035; interest at 3.0% to 5.0% (net of \$64,125 discount).	<u>\$ 7,784,750</u>
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**Loan Drawdown:**

\$4,500,000 Loan Drawdown from Wells Fargo Bank with no set payment schedule; interest at 2.34%.	<u>\$ 2,967,776</u>
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**Loans Payable:**

\$237,253 Loan from Starion Financial due in annual installments of \$15,358 to \$19,675 through April 10, 2030; interest at 3.49%	\$ 202,083
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\$159,073 Loan from Starion Financial due in annual installments of \$15,548 through \$18,186; interest at 3.39%	139,219
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\$200,000 Loan from Starion Financial due in annual installments of \$1,498 to \$17,269 through April 10, 2020; interest at 4.5%.	50,878
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\$389,405 Loan from Starion Financial due in annual installments of \$20,897 to \$31,946 through April 2031; interest at 3.29%.	389,405
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\$82,000 Loan from Starion Financial due in annual installments of \$1,109 to \$6,897 through April 10, 2018; interest at 5%.	<u>6,925</u>
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Total Loans Payable	<u>\$ 788,510</u>
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**Leases Payable:**

Capital Lease for four John Deere Motor Graders. The lease is for five years (quarterly payments) at a 4% interest rate. Last payment due May 16, 2017 totaling \$621,095.	\$ 621,095
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Capital Lease for a postage machine with Neopost. The lease is for five years (monthly payments) at a 5% interest rate. Last payment due January 2018.	<u>1,516</u>
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Total Leases Payable	<u>\$ 622,611</u>
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**MORTON COUNTY**

Notes to the Financial Statements – Continued

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

GOVERNMENTAL ACTIVITIES						
Year Ending Dec 31	Bonds Payable		Loans Payable		Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 339,000	\$ 329,277	\$ 73,988	\$ 24,253	\$ 622,611	\$ 12,497
2018	342,750	312,327	64,715	28,168	-	-
2019	348,000	295,190	67,087	23,326	-	-
2020	354,000	277,790	52,820	20,969	-	-
2021	360,750	263,630	53,285	18,909	-	-
2022 - 2026	1,947,000	1,084,838	271,925	65,927	-	-
2027 - 2031	2,262,000	754,721	204,690	22,041	-	-
2032 - 2036	1,895,250	290,964	-	-	-	-
Totals	\$ 7,848,750	\$ 3,608,737	\$ 788,510	\$ 203,593	\$ 622,611	\$ 12,497

Bond discount is amortized at \$3,375 per year each year through 2035.

**DISCRETELY PRESENTED COMPONENT UNITS:**

Morton County Water Resource District:

**Changes in Long-Term Liabilities** - During the year ended December 31, 2016, the following changes occurred in liabilities reported in long-term liabilities for Morton County Water Resource District.

Governmental Activities:

Governmental Activities - Morton WRD	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Special Assessment Loan	\$ 105,000	\$ -	\$ 14,000	\$ 91,000	\$ 14,000
Loan Payable	99,927	-	7,984	91,943	8,386
Total Governmental Activities - Morton WRD	\$ 204,927	\$ -	\$ 21,984	\$ 182,943	\$ 22,386

Outstanding governmental activities debt at December 31, 2016 is comprised of the following:

**Special Assessment Bonds:**

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

\$ 91,000

**Loan Payable:**

2010 Loan of \$134,134 with a fixed interest rate of 4.8% due in annual installments of \$12,860 beginning 11-1-2013 through 11-1-2025.

\$ 91,943

Business-Type Activities:

Business-Type Activities - Morton WRD	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Water Revenue Refunding Bonds	\$ 2,759,000	\$ -	\$ 76,302	\$ 2,682,698	\$ 78,888
USDA-RD RUS Loans	224,000	-	6,000	218,000	6,000
Compensated Absences *	72,482	-	8,237	64,245	19,274
Total Business-Type Activities - Morton WRD	\$ 3,055,482	\$ -	\$ 90,539	\$ 2,964,943	\$ 104,162

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

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

Outstanding business-type activities debt at December 31, 2016, excluding compensated absences, is comprised of the following individual issues:

**Bonds Payable:**Water Revenue Refunding Bonds, Series 2015

The Water Resource District received a bond for \$2,759,000 for a water supply system in Morton County. The loan will be repaid over a period of 15 years and bears an interest rate of 3.390%. Payments of \$169,832 including interest are due annually on June 1 with final payment on June 30, 2030 for \$1,468,435.

\$ 2,682,698

**Loans Payable:**USDA-RD - RUS Loans:

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

\$ 218,000

Debt service requirements on business-type activity long-term debt at December 31, 2016 are as follows:

<b>Business-Type Activities - Morton County WRD</b>				
<b>Year Ending</b>	<b>Refunding Bond</b>		<b>Loan Payable</b>	
<b>Dec 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 78,888	\$ 90,943	\$ 6,000	\$ 9,538
2018	81,563	88,269	6,000	9,275
2019	84,328	85,504	6,000	9,013
2020	87,186	82,646	7,000	8,750
2021	90,142	79,690	7,000	8,444
2022 - 2026	498,672	350,487	40,000	37,362
2027 - 2031	1,761,919	216,011	49,000	27,868
2032 - 2036	-	-	61,000	16,100
2037 - 2041	-	-	36,000	2,887
Total	\$ 2,682,698	\$ 993,550	\$ 218,000	\$ 129,237

**Operating Lease – County:**

The County has entered into three separate operating leases for a copy machines with Advanced Business Methods, as well as an operating lease for a copy machine with Fireside Solutions. Lease payments totaling \$5,022 were made in the year ending December 31, 2016. The remaining operating lease payments total \$28,338 for the remainder of the leases, with \$8,340 due within one year.

**Operating Lease – 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. The annual lease payment was \$3,800. The District also leases land for farming. This lease expired October 31, 2016. These leases are considered for accounting purposes to be operating leases. Lease revenues were \$8,146 for 2016.

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

Future minimum lease revenue is as follows:

Year Ending Dec. 31	Amount
2017	\$ 3,800
2018	3,800
2019	3,800
2020	3,800
2021	3,800
2022 - 2088	254,600
Total	\$ 273,600

**Lower Heart Water Resource District:**

**Changes in Long-Term Liabilities** - During the year ended December 31, 2016, the following changes occurred in liabilities reported in long-term liabilities:

Gov't Activities - Lower Heart WRD	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Special Assessments Payable	\$ 106,951	\$ -	\$ 18,327	\$ 88,624	\$ 18,227

Outstanding debt at December 31, 2016 consists of the following issue:

**Special Assessments Payable:**

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

\$ 88,624

Debt service requirements on long-term debt at December 31, 2016 are as follows:

Gov't Activities - Lower Heart WRD		
Year Ending Dec. 31	Special Assessments	
	Principal	Interest
2017	\$ 18,227	\$ 5,068
2018	17,621	4,016
2019	17,592	3,008
2020	17,592	2,005
2021	17,592	1,003
Total	\$ 88,624	\$ 15,100

**NOTE 14: DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes and the amount for taxes received in advance in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes are measurable but not available. Taxes received in advance in the deferred inflows of resources in the government wide statement of net position consist of prepaid taxes collected prior to December 31, 2016 but not earned until January 2017 when they are properly apportioned.

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, this includes amounts related to pensions.

**MORTON COUNTY**

Notes to the Financial Statements – Continued

**NOTE 15: DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions.

**NOTE 16: DEFICIT BALANCES**

The following funds were in a deficit fund balance and cash position at December 31, 2016:

<b>Governmental Funds</b>	<b>Fund Balance</b>	<b>Cash</b>
<b>Major Funds:</b>		
Highway Distribution Tax	\$ -	\$ (239,961)
Berube Apartment Building	(786,054)	-
<b>Nonmajor Debt Service Funds:</b>		
Nurturing Parent	(15,057)	(11,918)
MANTF Operating Funds	(6,231)	(45,434)
Dakota Access Pipeline Protest	(853,701)	(420,467)
Schlosser's Specials #5	(7,059)	(4,434)
Entzel's Specials #5	(1,533)	-

**Other Funds**

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

**NOTE 17: PENSION PLAN****General Information about the NDPERS Pension Plan (Main & Law Enforcement Systems)*****North Dakota Public Employees Retirement System (Main & Law Enforcement Systems)***

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 seven 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; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management

**Pension Benefits****Main System**

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired after January 1, 2016 the Rule of 85 will be replaced with a 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. The plan permits early retirement at ages 55-64 with three or more years of service.

**Law Enforcement System (without prior main system service)**

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the 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). The annual 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. 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 and Law Enforcement 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 and Law Enforcement 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 of disabled is set by the NDPERS in the North Dakota Administrative Code.

**Refunds of Member Account Balance**

Upon termination, if a member is not vested (is not 65 for the Main System and is not 55 for the Law Enforcement System 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 re-employed, they have the option of repurchasing their previous service.

**Member and Employer Contributions****Main System**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

**Law Enforcement System (without prior main system service)**

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

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

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, 2016, Morton County reported a total liability of \$5,386,317 (\$5,355,852 for the Main System & \$30,465 for the Law Enforcement System) for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district'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, 2016, the Employer's proportion was .549545 percent, which was a decrease of .034155 percent from its proportion measured as of June 30, 2015 for the Main System. At June 30, 2016, the Employer's proportion was 47.562790 percent, which was an increase of 1.127883 percent from its proportion measured as of June 30, 2015 for the Law Enforcement System.

For the year ended December 31, 2016, the Employer recognized pension expense totaling \$908,173 (\$738,620 for the Main System & \$170,093 for the Law Enforcement System). At December 31, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 201,431	\$ 68,775
Changes of Assumptions	530,952	338,805
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	848,690	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	265,160	176,018
District Contributions Subsequent to the Measurement Date	564,750	-
Total	\$ 2,410,983	\$ 583,598

\$564,750 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

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 Enforce.	Total
2017	\$ 181,229	\$ 37,844	\$ 219,073
2018	181,229	37,844	219,073
2019	344,233	47,066	391,299
2020	220,703	36,651	257,354
2021	78,354	8,342	86,696
Totals	\$ 1,005,748	\$ 167,747	\$ 1,173,495



**Actuarial Assumptions**

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in May 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

**Discount rate.** The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

**MORTON COUNTY**

Notes to the Financial Statements – Continued

**Sensitivity of the Employer'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 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<b>1% Decrease (7%)</b>	<b>Current Discount Rate (8%)</b>	<b>1% Increase (9%)</b>
County's Proportionate Share of the Net Pension Liability	\$ 7,873,836	\$ 5,386,317	\$ 3,302,602

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

**NOTE 18: RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. Morton County pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF for automobile is limited to losses of one million dollars per occurrence and for general liability is limited to losses of two million dollars per occurrence. Mobile equipment and portable property (public assets) coverage is limited to \$6,360,347 for the county, \$155,052 for the Morton County Water Resource District, and \$79,441 for the Lower Heart Water Resource District.

Morton County also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. Morton County pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides Morton County with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. Morton WRD has \$1,300,000 of coverage. Lower Heart WRD has \$250,000 of coverage. The State Bonding Fund does not currently charge any premium for this coverage. Morton County has workers compensation with the North Dakota Workforce, Safety and Insurance.

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

**NOTE 19: JOINT VENTURE**

**Primary Government:**

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

Summary unaudited financial information for the year ended December 31, 2016 is as follows:

Total Assets	\$ 958,880
Total Revenues	\$ 2,789,301
Total Expenditures	2,913,773
Change in Fund Balance	\$ (124,472)

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

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

**NOTE 20: TRANSFERS**

The following is the reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2016:

	Transfers In	Transfers Out
<b>Major Funds:</b>		
General Fund	\$ 117,000	\$ 203,821
County Road & Bridge	8,250,000	-
Highway Tax Distribution	-	6,250,000
Farm to Market Roads	-	750,000
Social Welfare	-	-
<b>Non-Major Funds:</b>		
Road/Bridge Unorganized	-	1,250,000
County Park	203,821	-
Self Insurance	-	80,683
Land Line 911	-	117,000
Capital Projects	80,683	-
<b>Total Transfers</b>	<b>\$ 8,651,504</b>	<b>\$ 8,651,504</b>

**NOTE 21: CONDUIT DEBT**

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

At December 31, 2016, there were five series of Municipal Industrial Development Bonds issued with original principal balances totaling \$24,104,016.

**NOTE 22: PRIOR PERIOD ADJUSTMENTS**

There were prior period adjustments for the period ending December 31, 2015 to beginning net position at January 1, 2016 for Governmental Activities involving adjustments to infrastructure capital assets, loan payable, and the Berube Apartment Fund.

<b>Governmental Activities:</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 69,182,396
<b>Adjustments to restate the January 1, 2015 Net Position:</b>	
Adjustment to Capital Assets - Infrastructure Cost	(519,721)
Adjustment to Capital Assets - Infrastructure Depreciation	290,998
Adjustment to Loan Payable	1,689
Adjustment to Berube Apartment Fund	1,868
<b>Net Position January 1, as restated</b>	<b>\$ 68,957,230</b>

**MORTON COUNTY**

Notes to the Financial Statements – Continued

**NOTE 23: COMMITMENTS****PRIMARY GOVERNMENT:**

Morton County is responsible for 15% share of the construction costs for the new Law Enforcement Center building under construction. The open contract summary for this construction is as follows:

Project	Amended Contract	Total Completed	Retainage	Remaining Balance	% Complete
County Jail	\$ 10,792,398	\$ 10,044,863	\$ 582,901	\$ 1,330,436	93.07%

**DISCRETELY PRESENTED COMPONENT UNIT:**Morton County Water Resource District:

The Morton County Water Resource District had the following open construction contract at December 31, 2016 for the South Mandan water expansion project. The open contract summary is as follows:

Project	Amended Contract	Total Completed	Retainage	Remaining Balance	% Complete
South Expansion	\$ 1,143,645	\$ 1,153,645	\$ 30,000	\$ 20,000	100.00%

Retainages Payable:

Retainages payable consists of a liability account reflecting amounts owing to contractors on open contracts as outlined above at December 31, 2016 for Morton County and the Water Resource District.

**NOTE 24: TAX ABATEMENTS**

Morton County and political subdivisions within the county can negotiate property tax abatement agreements with individuals and various commercial entities/businesses. Morton County and the political subdivisions within have the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2016.

Morton County will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

**New and Expanding Business:**

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1-03) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the Job Development Authority Board of Directors will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on city services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the City?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

## MORTON COUNTY

### Notes to the Financial Statements – Continued

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#### Exemption Criteria:

Amount of exemption is per the following schedule: Year 1 — 100%, Year 2 — 100%, Year 3 — 75%, Year 4 — 50%, Year 5 — 25%.

#### 2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$289,490

#### **Single Family Residence:**

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria -- Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all the following conditions are met:

- a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.
- b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

#### 2016 Reduction in Taxes – Other Entities:

Total Program Reduction in taxes – \$82,671

#### **Commercial and Residential:**

Commercial and Residential property are eligible for property tax incentives if they meet state requirements (NDCC 57-05.2-03) and the guidelines stated below. The following criteria are only guidelines.

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city or county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city or county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

#### 2016 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$18,989

**MORTON COUNTY**

Notes to the Financial Statements – Continued

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**NOTE 25: CONTINGENT LIABILITIES**

The County is a defendant in several 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 condition of the County.

MORTON COUNTY  
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 5,892,083	\$ 5,892,083	\$ 6,029,164	\$ 137,081
Licenses, Permits and Fees	58,000	58,000	204,125	146,125
Intergovernmental	3,383,759	3,383,759	3,229,143	(154,616)
Charges for Services	488,460	488,460	465,688	(22,772)
Interest Income	2,000	2,000	386,503	384,503
Miscellaneous	70,225	70,225	281,720	211,495
<b>Total Revenues</b>	<b>\$ 9,894,527</b>	<b>\$ 9,894,527</b>	<b>\$ 10,596,343</b>	<b>\$ 701,816</b>
<u>Expenditures:</u>				
Current:				
General Government	\$ 3,411,323	\$ 3,411,323	\$ 3,289,440	\$ 121,883
Public Safety	6,564,568	6,564,568	6,274,561	290,007
Conservation of Natural Resources	115,200	115,200	112,428	2,772
<b>Total Expenditures</b>	<b>\$ 10,091,091</b>	<b>\$ 10,091,091</b>	<b>\$ 9,678,025</b>	<b>\$ 413,066</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (196,564)</b>	<b>\$ (196,564)</b>	<b>\$ 918,318</b>	<b>\$ 1,114,882</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 43,250	\$ 43,250	\$ 117,000	\$ 73,750
Transfers Out	(385,000)	(385,000)	(203,821)	181,179
<b>Total Other Financing Sources and Uses</b>	<b>\$ (341,750)</b>	<b>\$ (341,750)</b>	<b>\$ (86,821)</b>	<b>\$ 254,929</b>
<b>Net Change in Fund Balances</b>	<b>\$ (538,314)</b>	<b>\$ (538,314)</b>	<b>\$ 831,497</b>	<b>\$ 1,369,811</b>
<b>Fund Balance - January 1</b>	<b>\$ 2,798,101</b>	<b>\$ 2,798,101</b>	<b>\$ 2,798,101</b>	<b>\$ -</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,259,787</b>	<b>\$ 2,259,787</b>	<b>\$ 3,629,598</b>	<b>\$ 1,369,811</b>

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

MORTON COUNTY  
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE  
COUNTY ROAD & BRIDGE FUND  
For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 26,851	\$ 26,851	\$ 23,974	\$ (2,877)
Licenses, Permits, & Fees	15,000	15,000	69,397	54,397
Charges for Services	33,600	33,600	34,189	589
Intergovernmental	6,092	6,092	224,769	218,677
Miscellaneous	140,000	140,000	210,044	70,044
<b>Total Revenues</b>	<b>\$ 221,543</b>	<b>\$ 221,543</b>	<b>\$ 562,373</b>	<b>\$ 340,830</b>
<u>Expenditures:</u>				
Current:				
Highways	\$ 6,443,291	\$ 6,443,291	\$ 6,186,809	\$ 256,482
Capital Outlay	-	-	39,805	(39,805)
Debt Service:				
Principal	-	-	78,014	(78,014)
Interest and Service Charge	-	-	27,231	(27,231)
<b>Total Expenditures</b>	<b>\$ 6,443,291</b>	<b>\$ 6,443,291</b>	<b>\$ 6,331,859</b>	<b>\$ 111,432</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (6,221,748)</b>	<b>\$ (6,221,748)</b>	<b>\$ (5,769,486)</b>	<b>\$ 452,262</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 7,500,000	\$ 7,500,000	\$ 8,250,000	\$ 750,000
<b>Net Change in Fund Balances</b>	<b>\$ 1,278,252</b>	<b>\$ 1,278,252</b>	<b>\$ 2,480,514</b>	<b>\$ 1,202,262</b>
Fund Balance - January 1	\$ (2,166,464)	\$ (2,166,464)	\$ (2,166,464)	-
<b>Fund Balance - December 31</b>	<b>\$ (888,212)</b>	<b>\$ (888,212)</b>	<b>\$ 314,050</b>	<b>\$ 1,202,262</b>

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



MORTON COUNTY  
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE  
HIGHWAY DISTRIBUTION TAX FUND  
For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 2,488,185	\$ 2,488,185	\$ 2,826,407	\$ 338,222
<u>Expenditures:</u>				
Highways	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,488,185	\$ 2,488,185	\$ 2,826,407	\$ 338,222
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (6,250,000)	\$ (6,250,000)	\$ (6,250,000)	\$ -
Net Change in Fund Balances	\$ (3,761,815)	\$ (3,761,815)	\$ (3,423,593)	\$ 338,222
Fund Balance - January 1	\$ 3,438,053	\$ 3,438,053	\$ 3,438,053	\$ -
Fund Balance - December 31	\$ (323,762)	\$ (323,762)	\$ 14,460	\$ 338,222

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

MORTON COUNTY  
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE  
FARM TO MARKET ROAD FUND  
For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 388,174	\$ 388,174	\$ 395,170	\$ 6,996
Intergovernmental Revenues	4,854,323	4,854,323	3,923,127	(931,196)
<b>Total Revenues</b>	<b>\$ 5,242,497</b>	<b>\$ 5,242,497</b>	<b>\$ 4,318,297</b>	<b>\$ (924,200)</b>
<u>Expenditures:</u>				
Highways	\$ 4,837,072	\$ 4,837,072	\$ 1,859,594	\$ 2,977,478
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 405,425</b>	<b>\$ 405,425</b>	<b>\$ 2,458,703</b>	<b>\$ 2,053,278</b>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (750,000)	\$ (750,000)	\$ (750,000)	\$ -
<b>Net Change in Fund Balances</b>	<b>\$ (344,575)</b>	<b>\$ (344,575)</b>	<b>\$ 1,708,703</b>	<b>\$ 2,053,278</b>
Fund Balance - January 1	\$ 204,563	\$ 204,563	\$ 204,563	\$ -
<b>Fund Balance - December 31</b>	<b>\$ (140,012)</b>	<b>\$ (140,012)</b>	<b>\$ 1,913,266</b>	<b>\$ 2,053,278</b>

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

MORTON COUNTY  
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE  
SOCIAL WELFARE FUND  
For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,400,849	\$ 1,400,849	\$ 1,432,953	\$ 32,104
Intergovernmental	1,518,337	1,518,337	1,489,685	(28,652)
<b>Total Revenues</b>	<b>\$ 2,919,186</b>	<b>\$ 2,919,186</b>	<b>\$ 2,922,638</b>	<b>\$ 3,452</b>
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ 3,090,610	\$ 3,090,610	\$ 2,967,581	\$ 123,029
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (171,424)</b>	<b>\$ (171,424)</b>	<b>\$ (44,943)</b>	<b>\$ 126,481</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 385,000	\$ 385,000	\$ -	\$ (385,000)
<b>Net Change in Fund Balances</b>	<b>\$ 213,576</b>	<b>\$ 213,576</b>	<b>\$ (44,943)</b>	<b>\$ (258,519)</b>
Fund Balance - January 1	\$ 482,090	\$ 482,090	\$ 482,090	\$ -
<b>Fund Balance - December 31</b>	<b>\$ 695,666</b>	<b>\$ 695,666</b>	<b>\$ 437,147</b>	<b>\$ (258,519)</b>

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

MORTON COUNTY  
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE  
BERUBE APARTMENT FUND  
For the Year Ended December 31, 2016

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Charges for Services	\$ 209,000	\$ 209,000	\$ 183,266	\$ (25,734)
<u>Expenditures:</u>				
Current:				
General Government	\$ 115,000	\$ 115,000	\$ 104,131	\$ 10,869
Excess (Deficiency) of Revenues Over Expenditures	\$ 94,000	\$ 94,000	\$ 79,135	\$ (14,865)
Fund Balance - January 1	\$ (861,511)	\$ (861,511)	\$ (861,511)	\$ -
Prior Period Adjustment	-	-	1,868	1,868
Fund Balance - January 1, as restated	\$ (861,511)	\$ (861,511)	\$ (859,643)	\$ 1,868
Fund Balance - December 31	\$ (767,511)	\$ (767,511)	\$ (780,508)	\$ (12,997)

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

MORTON COUNTY  
Mandan, North Dakota

PENSION SCHEDULES  
For the Year Ended December 31, 2016

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

<b>NDPERS - Main System:</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability (asset)	0.549545%	0.583700%	0.529098%
District's proportionate share of the net pension liability (asset)	\$ 5,355,852	\$ 3,969,060	\$ 3,358,298
District's covered-employee payroll	\$ 5,538,116	\$ 5,200,057	\$ 4,457,002
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

<b>Law Enforcement System:</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
District's proportion of the net pension liability (asset)	47.562790%	46.434907%	49.940925%
District's proportionate share of the net pension liability (asset)	\$ 30,465	\$ (54,345)	\$ (6,664)
District's covered-employee payroll	\$ 2,198,112	\$ 1,753,650	\$ 1,364,550
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.39%	-3.10%	-0.49%
Plan fiduciary net position as a percentage of the total pension liability	98.17%	104.37%	100.61%

\* Complete data for this schedule is not available prior to 2014.

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

<b>NDPERS - Main System:</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution	\$ 394,314	\$ 370,244	\$ 317,339
Contributions in relation to the statutorily required contribution	\$ (394,314)	\$ (370,244)	\$ (317,339)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,538,116	\$ 5,200,057	\$ 4,457,002
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%

**MORTON COUNTY**Pension Schedules - Continued

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<b>Law Enforcement System:</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution	\$ 174,310	\$ 139,064	\$ 108,209
Contributions in relation to the statutorily required contribution	\$ (174,310)	\$ (139,064)	\$ (108,209)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,198,112	\$ 1,753,650	\$ 1,364,550
Contributions as a percentage of covered-employee payroll	7.93%	7.93%	7.93%

\* Complete data for this schedule is not available prior to 2014.

MORTON COUNTY  
Mandan, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2016

**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information:

- The county commission adopts an “appropriated budget” on the modified accrual basis of accounting.
- The county auditor prepares an annual budget for the general fund, each special revenue fund, and each debt service fund of the county. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.
- The county commission holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed expenditures or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- The board of county commissioners, on or before the October meeting required by section 11-11-05 shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the county auditor at the revenue and expenditure function/object level. No county expenditure may be made or liability incurred, nor may a bill be paid for any purpose, in excess of the appropriation, except as provided in section 11-23-07. NDCC 11-23-06
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

**NOTE 2: LEGAL COMPLIANCE - BUDGETS**

BUDGET AMENDMENTS

The board of county commissioners amended the county budget for 2016 as follows:

	<b>EXPENDITURES/TRANSFERS OUT</b>		
	<b>Original Budget</b>	<b>Amendment</b>	<b>Amended Budget</b>
<b>Nonmajor Special Revenue Funds</b>			
Emergency	\$ 40,832	\$ -	\$ 40,832
Lec Fund	76,038	-	76,038
Mc Community Garden	825	-	825
Nurturing Parenting Program	15,058	-	15,058
Region Vii Prc	3,415	-	3,415
Metro Area Task Force Asset Forfeitu	33,985	-	33,985
Metro Area Task Force Operating Fur	149,700	-	149,700
Land Line E-911	2,200	296,480	298,680
<b>Nonmajor Debt Service Funds</b>			
Schlosser Specials #5	165	2,850	3,015
Montes Rancheros Street Specials	409,805	-	409,805
Captains Landing Specials	3,150	-	3,150
Entzel'S 4Th Specials	6	231	237
Whispering Hills Paving Specials	4,831	-	4,831
Entzel Specials #5	2	710	712
Dakota Access Pipeline Protest	-	1,250,200	1,250,200
Sheriff Appreciation Donations	-	3,000	3,000

**MORTON COUNTY**

Notes to the Required Supplementary Information – Continued

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**NOTE 3: PENSIONS - CHANGES OF ASSUMPTIONS**

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2016. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.



MORTON COUNTY  
Mandan, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT BALANCES  
For the Year Ended December 31, 2016

	Balance 1-1-16	Revenues	Transfers In	Other Financing Sources	Transfers Out	Expenditures	Balance 12-31-16
<b>Major Funds:</b>							
General Fund	\$ 2,316,048.90	\$ 10,611,889.81	\$ 117,000.00	\$ -	\$ 203,821.00	\$ 9,693,612.02	\$ 3,147,505.69
County Road & Bridge	(2,323,372.51)	724,439.96	8,250,000.00	-	-	6,292,053.68	359,013.77
Highway Distribution Tax	3,126,718.38	2,883,321.03	-	-	6,250,000.00	-	(239,960.59)
Farm to Market Roads	204,563.50	4,318,296.88	-	-	750,000.00	1,859,593.94	1,913,266.44
Social Welfare	435,665.35	2,896,064.85	-	-	-	2,966,515.49	365,214.71
Berube Apartment Building	(868,712.31)	186,788.99	-	-	-	104,130.82	(786,054.14)
County Jail Construction	7,077,647.22	1,693,316.64	-	1,935,725.63	-	7,542,312.86	3,164,376.63
<b>Total Major Funds</b>	<b>\$ 9,968,558.53</b>	<b>\$ 23,314,118.16</b>	<b>\$ 8,367,000.00</b>	<b>\$ 1,935,725.63</b>	<b>\$ 7,203,821.00</b>	<b>\$ 28,458,218.81</b>	<b>\$ 7,923,362.51</b>
<b>Non-Major Funds:</b>							
<b>Special Revenue Funds:</b>							
Road and Bridge-Unorganized	\$ 509,898.04	\$ 764,833.47	\$ -	\$ -	\$ 1,250,000.00	\$ -	\$ 24,731.51
Weed Control	349,125.80	244,388.95	-	-	-	262,716.21	330,798.54
County Extension	43,691.76	231,907.64	-	-	-	245,052.05	30,547.35
Veteran's Service Officer	38,107.29	171,544.21	-	-	-	167,690.90	41,960.60
Emergency Fund	583,640.88	1,301.38	-	-	-	40,831.50	544,110.76
LEC Fund	178,919.29	50,000.00	-	-	-	76,037.84	152,881.45
County Park	388,750.10	218,630.75	203,821.00	-	-	484,775.79	326,426.06
Property & Asset Forfeiture	60,128.46	-	-	-	-	4,854.06	55,274.40
Self Insurance	80,682.97	-	-	-	80,682.97	-	-
States Attorney Forfeiture	64,621.48	9,061.15	-	-	-	-	73,682.63
Inmate Betterment Fund	44,714.71	19,228.96	-	-	-	7,629.80	56,313.87
MC Community Garden	6,183.95	1,675.00	-	-	-	824.15	7,034.80
Nurturing Parenting	-	-	-	-	-	15,057.01	(15,057.01)
Region VII PRC	12,433.83	2,092.64	-	-	-	3,414.92	11,111.55
MANTF Asset Forfeiture	-	216,837.11	-	-	-	33,984.13	182,852.98
MANTF Operating Funds	4,077.55	139,388.25	-	-	-	149,696.61	(6,230.81)
Land Line 911	117,359.01	340,659.39	-	-	117,000.00	298,617.75	42,400.65
Equipment Replacement	893,241.24	154,769.65	-	-	-	233,348.14	814,662.75
County Motor Pool	1,760.44	33,120.88	-	-	-	24,025.89	10,855.43
Hazardous Chemicals Prep.	10,037.44	1,925.00	-	-	-	1,068.37	10,894.07
Dakota Access Pipeline Protest	-	395,499.19	-	-	-	1,249,199.72	(853,700.53)
Sheriff Appreciation Donations	-	14,520.50	-	-	-	3,000.00	11,520.50
Document Preservation Fund	143,888.61	37,709.00	-	-	-	50,647.77	130,949.84
Morton County Library	10,263.40	201,638.31	-	-	-	202,295.00	9,606.71
Economic Development	23,148.24	104,485.07	-	-	-	122,474.22	5,159.09
<b>Total Non-Major Special Revenue Funds</b>	<b>\$ 3,564,674.49</b>	<b>\$ 3,355,216.50</b>	<b>\$ 203,821.00</b>	<b>\$ -</b>	<b>\$ 1,447,682.97</b>	<b>\$ 3,677,241.83</b>	<b>\$ 1,998,787.19</b>
<b>Debt Service Funds:</b>							
County Loan	\$ 44,039.10	\$ 4,907.32	\$ -	\$ -	\$ -	\$ -	\$ 48,946.42
Federal Aid Highway Bond 2002	28,113.02	-	-	-	-	-	28,113.02
Federal Aid Highway Bond 2005	2,232.89	-	-	-	-	-	2,232.89
Schlusser's Specials #5	(4,057.72)	15,217.46	-	-	-	18,219.06	(7,059.32)
Monte's Rancheros/Street Imp.	20,493.23	-	-	389,405.00	-	409,802.89	95.34
Captains Landing Paving	4,618.24	21,729.47	-	-	-	23,000.00	3,347.71
Willow Road/St. Imp. #4	63,887.72	378.48	-	-	-	-	64,266.20
Riverview Hgts/St. Imp. # 5	11,036.12	-	-	-	-	-	11,036.12
Entzel's 4th Street Improvement	(18,060.21)	25,485.04	-	-	-	5,780.85	1,643.98
Whispering Hills Paving	10,065.28	33,340.17	-	-	-	40,000.00	3,405.45
Entzel's Special #5	(1,155.89)	7,449.39	-	-	-	7,826.90	(1,533.40)
<b>Total Non-Major Debt Service Funds</b>	<b>\$ 161,211.78</b>	<b>\$ 108,507.33</b>	<b>\$ -</b>	<b>\$ 389,405.00</b>	<b>\$ -</b>	<b>\$ 504,629.70</b>	<b>\$ 154,494.41</b>
<b>Capital Projects Funds:</b>							
Capital Projects	\$ 361,902.97	\$ 196,340.46	\$ 80,682.97	\$ -	\$ -	\$ 373,600.00	\$ 265,326.40
County Special Assessments	88,169.54	14,523.75	-	-	-	9,440.12	93,253.17
<b>Total Non-Major Capital Projects Funds</b>	<b>\$ 450,072.51</b>	<b>\$ 210,864.21</b>	<b>\$ 80,682.97</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 383,040.12</b>	<b>\$ 358,579.57</b>
<b>Total Non-Major Funds</b>	<b>\$ 4,175,958.78</b>	<b>\$ 3,674,588.04</b>	<b>\$ 284,503.97</b>	<b>\$ 389,405.00</b>	<b>\$ 1,447,682.97</b>	<b>\$ 4,564,911.65</b>	<b>\$ 2,511,861.17</b>
<b>Total Governmental Funds</b>	<b>\$ 14,144,517.31</b>	<b>\$ 26,988,706.20</b>	<b>\$ 8,651,503.97</b>	<b>\$ 2,325,130.63</b>	<b>\$ 8,651,503.97</b>	<b>\$ 33,023,130.46</b>	<b>\$ 10,435,223.68</b>

Continued on next page....

MORTON COUNTY  
Mandan, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT BALANCES  
For the Year Ended December 31, 2016

	Balance 1-1-16	Revenues	Transfers In	Other Financing Sources	Transfers Out	Expenditures	Balance 12-31-16
CONTINUED:							
<u>Agency Funds:</u>							
Estimate Fund	\$ 49.56	\$ 34,156.22	\$ -	\$ -	\$ -	\$ 32,836.81	\$ 1,368.97
Senior Citizens	16,050.00	275,661.23	-	-	-	277,907.90	13,803.33
Morton County Health	138,835.20	634,872.15	-	-	-	615,443.69	158,263.66
Lower Heart Water Resource District	78,248.57	194,117.06	-	-	-	204,446.12	67,919.51
Morton County Water Resource Dist.	73,425.51	234,918.76	-	-	-	250,596.51	57,747.76
Southwest Water Authority	34,838.51	139,898.01	-	-	-	139,649.44	35,087.08
Morton County Historical Society	5,200.08	23,292.84	-	-	-	23,217.89	5,275.03
Morton County Soil Conservation	31,102.81	91,005.39	-	-	-	92,843.81	29,264.39
State Tax	-	137,214.01	-	-	-	102,169.87	35,044.14
Game and Fish	11,457.50	68,596.50	-	-	-	79,387.00	667.00
Domestic Violence Prevention	-	6,600.00	-	-	-	6,425.00	175.00
Almont City	1,861.39	12,036.87	-	-	-	11,880.12	2,018.14
Flasher City	24,850.90	109,477.95	-	-	-	125,624.96	8,703.89
Flasher Park	664.80	5,423.88	-	-	-	5,163.08	925.60
Glen Ullin City	26,588.16	142,850.17	-	-	-	135,999.27	33,439.06
Glen Ullin Park	2,816.79	15,291.51	-	-	-	14,798.11	3,310.19
Hebron City	32,608.16	162,176.18	-	-	-	158,254.67	36,529.67
Hebron Park	9,511.27	47,792.11	-	-	-	46,324.15	10,979.23
Mandan City	2,976,832.07	10,161,712.16	-	-	-	10,112,990.49	3,025,553.74
Mandan Park	609,805.04	2,142,904.16	-	-	-	2,102,076.00	650,633.20
New Salem City	26,372.76	129,991.85	-	-	-	128,396.40	27,968.21
New Salem Park	18,771.13	93,642.10	-	-	-	91,786.33	20,626.90
Western Heart River Irrigation	10,884.36	43,661.74	-	-	-	52,423.24	2,122.86
Flasher Rural Fire	6,148.59	18,267.70	-	-	-	18,884.56	5,531.73
Glen Ullin Rural Fire	4,665.75	23,887.68	-	-	-	25,108.11	3,445.32
Hebron Rural Fire	5,481.68	25,699.61	-	-	-	23,783.54	7,397.75
Mandan Rural Fire	46,937.41	169,058.83	-	-	-	176,951.48	39,044.76
New Salem Rural Fire	7,449.04	25,063.51	-	-	-	27,600.10	4,912.45
Almont Rural Fire	2,291.45	10,407.98	-	-	-	10,586.17	2,113.26
Almont Ambulance	1,722.78	9,216.13	-	-	-	9,199.20	1,739.71
Captains Landing Twp. # 1	7,950.80	18,672.83	-	-	-	18,117.43	8,506.20
Mandan SD # 1	2,509,050.13	10,508,653.98	-	-	-	10,008,275.22	3,009,428.89
Solen SD # 3	9,235.78	99,424.33	-	-	-	100,171.90	8,488.21
Little Heart SD # 4	18,398.58	97,171.69	-	-	-	96,270.65	19,299.62
New Salem SD # 7	127,046.67	957,685.56	-	-	-	955,511.76	129,220.47
Hebron SD # 13	56,501.55	357,685.51	-	-	-	313,200.52	100,986.54
Sweet Briar SD # 17	7,145.34	47,477.93	-	-	-	47,063.59	7,559.68
Flasher SD # 39	95,567.91	511,838.48	-	-	-	494,939.79	112,466.60
Glen Ullin SD # 48	63,948.27	698,288.85	-	-	-	691,380.88	70,856.24
Total Agency Funds	\$ 7,100,316.30	\$ 28,485,793.45	\$ -	\$ -	\$ -	\$ 27,827,685.76	\$ 7,758,423.99
Total Primary Government	\$ 21,244,833.61	\$ 55,474,499.65	\$ 8,651,503.97	\$ 2,325,130.63	\$ 8,651,503.97	\$ 60,850,816.22	\$ 18,193,647.67

STATE AUDITOR

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division:  
FARGO OFFICE  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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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**

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Independent Auditor's Report

Board of County Commissioners  
Morton County  
Mandan, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morton County, Mandan, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Morton County's basic financial statements, and have issued our report thereon dated July 27, 2017. Our report includes a reference to other auditors who audited the financial statements of the Lower Heart Water Resource District, as described in our report on Morton County's financial statements. This report does not include our consideration of the results of the other auditors' testing on internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**MORTON COUNTY**

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

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**Compliance and Other Matters**

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

**Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
July 27, 2017

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MORTON COUNTY  
Mandan, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2016

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**Section I - Summary of Auditor's Results**

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Financial Statements

Type of Auditor's Report Issued?

Governmental Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control Over Financial Reporting

Material weaknesses identified?                      \_\_\_ Yes                       X  No

Significant deficiencies identified?                      \_\_\_ Yes                       X  No

Noncompliance material to financial statements noted?                      \_\_\_ Yes                       X  No

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**Section II – Financial Statement Findings**

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No matters were reported

You may obtain audit reports on the internet at:

[www.nd.gov/auditor/](http://www.nd.gov/auditor/)

or by contacting the  
Division of Local Government Audit

Office of the State Auditor  
600 East Boulevard Avenue – Department 117  
Bismarck, ND 58505-0060

(701) 328-2220