



ROBERT R. PETERSON  
STATE AUDITOR

Morton County  
Mandan, North Dakota

# Audit Report

For the Year Ended December 31, 2015

Office of the State Auditor

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MORTON COUNTY  
Mandan, North Dakota

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For the Year Ended December 31, 2015

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MORTON COUNTY  
Mandan, North Dakota

**COUNTY OFFICIALS**

December 31, 2015

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 AUDITOR**

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



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

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

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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, 2015, 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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As discussed in Note 23 to the financial statements, during the year ended December 31, 2015, Morton County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

***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, and the schedules of net pension liabilities and pension contributions* on pages 36-40 and 41-42 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 June 27, 2016 on our consideration of Morton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morton County's internal control over financial reporting and compliance.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
June 27, 2016

MORTON COUNTY  
Mandan, North Dakota  
STATEMENT OF NET POSITION  
December 31, 2015

	Primary	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	\$ 10,607,785	\$ 3,085,202	\$ 493,288
Restricted Cash & Investments With Fiscal Agent	6,850,708	-	-
Restricted Investments	-	143,783	-
Accounts Receivable	375,538	124,213	-
Due from County Treasurer	-	620	52,664
Intergovernmental Receivable	1,074,487	-	-
Loans Receivable	284,440	-	-
Prepaid Expense	14,994	-	13,403
Taxes Receivable	122,419	3,314	1,074
Special Assessments Receivable	2,224	2,896	-
Uncertified Special Assessments Receivable	489,682	122,834	-
Bond Discount	67,500	-	-
Capital Assets (not being depreciated):			
Land	1,751,559	1,052,888	341,721
Right of Ways	549,727	-	-
Construction in Progress	5,178,747	1,246,237	158,335
Capital Assets (net of accumulated depreciation):			
Buildings and Improvements	7,168,343	174,068	800
Vehicles and Equipment	3,403,014	56,061	125,212
Improvements	54,901	-	-
Infrastructure	51,190,549	15,967,121	-
Total Capital Assets	\$ 69,296,840	\$ 18,496,375	\$ 626,068
Intangible Assets (net of accumulated amortization):			
Right to Purchase Water	\$ -	\$ 662,849	\$ -
<b>Total Assets</b>	<b>\$ 89,186,617</b>	<b>\$ 22,642,086</b>	<b>\$ 1,186,497</b>
<u>Deferred Outflows of Resources</u>			
Pensions	\$ 1,156,030	\$ -	\$ -
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 90,342,647</b>	<b>\$ 22,642,086</b>	<b>\$ 1,186,497</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,117,459	\$ 55,950	\$ -
Salaries and Benefits Payable	459,361	14,145	-
Payroll Liability	-	1,225	-
Retainage Payable	324,909	30,000	-
Interest Payable	76,940	58,384	-
Long-Term Liabilities:			
Due Within One Year:			
Sales Tax Bonds Payable	339,000	-	-
Special Assessments Payable	-	-	18,281
Loans Payable	59,175	90,286	-
Capital Lease Payable	79,530	-	-
Special Assessments Loan Payable	-	14,000	-
Compensated Absences Payable	108,399	21,745	-
Due After One Year:			
Sales Tax Bonds Payable	8,661,000	-	-
Special Assessments Payable	-	-	88,671
Loan Drawdown Payable	1,032,050	-	-
Loans Payable	424,507	2,992,641	-
Capital Lease Payable	622,611	-	-
Special Assessments Loan Payable	-	91,000	-
Compensated Absences Payable	975,585	50,738	-
Net Pension Liability	3,914,715	-	-
<b>Total Liabilities</b>	<b>\$ 18,195,241</b>	<b>\$ 3,420,114</b>	<b>\$ 106,952</b>
<u>Deferred Inflows of Resources</u>			
Taxes Received in Advance	\$ 2,424,165	\$ -	\$ -
Pensions	540,844	-	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,965,009</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>\$ 21,160,250</b>	<b>\$ 3,420,114</b>	<b>\$ 106,952</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	\$ 58,146,467	\$ 15,631,482	\$ 626,068
Restricted for:			
Debt Service	599,452	-	-
Capital Projects	7,754,657	-	-
Highways & Public Improvement	3,293,601	-	-
Culture and Recreation	274,946	-	-
Conservation of Natural Resources	510,130	3,590,490	-
Emergencies	584,895	-	-
Economic Development	23,298	-	-
General Government	276,227	-	-
Unrestricted	(2,281,276)	-	453,477
<b>Total Net Position</b>	<b>\$ 69,182,397</b>	<b>\$ 19,221,972</b>	<b>\$ 1,079,545</b>

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, 2015

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	\$ 4,237,735	\$ 730,751	\$ 160,575	\$ -	\$ (3,346,409)	\$ -	\$ -
Public Safety	3,961,580	1,000,605	184,251	-	(2,776,724)	-	-
Highways & Public Improvement	9,794,385	38,362	3,985,575	389,628	(5,380,820)	-	-
Health and Welfare	3,379,080	18,801	768,652	-	(2,591,627)	-	-
Culture and Recreation	793,581	-	253,953	-	(539,628)	-	-
Conserv. of Natural Resources	512,505	-	-	-	(512,505)	-	-
Economic Development	127,821	-	-	-	(127,821)	-	-
Interest on Long-term Debt	104,712	-	-	-	(104,712)	-	-
Bond Issuance Costs	42,878	-	-	-	(42,878)	-	-
<b>Total Governmental Activities</b>	<b>\$ 22,954,277</b>	<b>\$ 1,788,519</b>	<b>\$ 5,353,006</b>	<b>\$ 389,628</b>	<b>\$ (15,423,124)</b>	<b>\$ -</b>	<b>\$ -</b>
<u>Component Units:</u>							
Morton Co. Water Resource	\$ 1,976,031	\$ 1,721,984	\$ 141,819	\$ 227,068	\$ -	\$ 114,840	\$ -
Lower Heart Water Resource	89,874	-	-	-	-	-	(89,874)
<b>Total Component Units</b>	<b>\$ 2,065,905</b>	<b>\$ 1,721,984</b>	<b>\$ 141,819</b>	<b>\$ 227,068</b>	<b>\$ -</b>	<b>\$ 114,840</b>	<b>\$ (89,874)</b>
<u>General Revenues:</u>							
Taxes:							
Property taxes: levied for general purposes					\$ 2,690,072	\$ 151,273	\$ 223,624
Property taxes: levied for special purposes					5,872,442	8,047	-
Sales taxes					1,547,165	-	-
Unrestricted State Revenue					4,372,313	-	-
Earnings on Investments					30,933	5,222	474
Miscellaneous					416,120	28,206	8,961
<b>Total General Revenues</b>					<b>\$ 14,929,045</b>	<b>\$ 192,748</b>	<b>\$ 233,059</b>
<b>Change in Net Position</b>					<b>\$ (494,079)</b>	<b>\$ 307,588</b>	<b>\$ 143,185</b>
Net Position - January 1					\$ 72,727,328	\$ 18,914,160	\$ 936,360
Prior Period Adjustment					(3,050,852)	224	-
<b>Net Position - January 1, as adjusted</b>					<b>\$ 69,676,476</b>	<b>\$ 18,914,384</b>	<b>\$ 936,360</b>
<b>Net Position - December 31</b>					<b>\$ 69,182,397</b>	<b>\$ 19,221,972</b>	<b>\$ 1,079,545</b>

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

MORTON COUNTY  
Mandan, North Dakota

BALANCE SHEET  
December 31, 2015

	Major Funds							Total Governmental Funds
	General	County Road & Bridge	Highway Distribution Tax	Social Welfare	Berube Apartment Building	County Jail & Construction	Other Governmental Funds	
<b>ASSETS</b>								
Cash and Investments	\$ 4,188,512	\$ -	\$ 1,651,023	\$ 832,089	\$ 434	\$ -	\$ 3,935,727	\$ 10,607,785
Restricted Cash & Investments With Fiscal Agent	-	-	-	-	-	6,850,708	-	6,850,708
Accounts Receivable	318,504	19,386	-	-	9,375	-	28,273	375,538
Intergovernmental Receivables	514,804	162,329	311,335	46,764	-	-	39,255	1,074,487
Interfund Loan Receivable	-	-	-	-	-	-	864,000	864,000
Due from Other Funds	9,133	-	1,475,696	-	-	-	-	1,484,829
Loans Receivable	-	-	-	-	-	226,939	57,501	284,440
Prepaid Expense	14,994	-	-	-	-	-	-	14,994
Taxes Receivable	45,165	402	-	28,574	-	-	48,278	122,419
Special Assessments Receivable	-	-	-	-	-	-	2,224	2,224
Uncerfied Special Assessments Rec.	-	-	-	-	-	-	489,682	489,682
<b>Total Assets</b>	<b>\$ 5,091,112</b>	<b>\$ 182,117</b>	<b>\$ 3,438,054</b>	<b>\$ 907,427</b>	<b>\$ 9,809</b>	<b>\$ 7,077,647</b>	<b>\$ 5,464,940</b>	<b>\$ 22,171,106</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>								
<u>Liabilities:</u>								
Accounts Payable	\$ 141,722	\$ 859,528	\$ -	\$ 5,904	\$ 7,320	\$ -	\$ 102,985	\$ 1,117,459
Salaries and Benefits Payable	453,351	5,420	-	340	-	-	250	459,361
Interfund Loan Payable	-	-	-	-	864,000	-	-	864,000
Due to Other Funds	-	1,475,696	-	-	-	-	9,133	1,484,829
<b>Total Liabilities</b>	<b>\$ 595,073</b>	<b>\$ 2,340,644</b>	<b>\$ -</b>	<b>\$ 6,244</b>	<b>\$ 871,320</b>	<b>\$ -</b>	<b>\$ 112,368</b>	<b>\$ 3,925,649</b>
<u>Deferred Inflows of Resources:</u>								
Taxes Receivable	\$ 45,165	\$ 402	\$ -	\$ 28,574	\$ -	\$ -	\$ 48,278	\$ 122,419
Special Assessments Receivable	-	-	-	-	-	-	2,224	2,224
Uncert. Special Assessments Rec.	-	-	-	-	-	-	489,682	489,682
Taxes Received in Advance	1,652,773	7,534	-	390,520	-	-	373,338	2,424,165
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,697,938</b>	<b>\$ 7,936</b>	<b>\$ -</b>	<b>\$ 419,094</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 913,522</b>	<b>\$ 3,038,490</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 2,293,011</b>	<b>\$ 2,348,580</b>	<b>\$ -</b>	<b>\$ 425,338</b>	<b>\$ 871,320</b>	<b>\$ -</b>	<b>\$ 1,025,890</b>	<b>\$ 6,964,139</b>
<u>Fund Balances:</u>								
<u>Non-Spendable:</u>								
Prepaid Expense	\$ 14,994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,994
Loans Receivable	-	-	-	-	-	226,939	921,501	1,148,440
<u>Restricted for:</u>								
Debt Service	-	-	-	-	-	-	184,486	184,486
General Government	-	-	-	-	-	-	109,924	109,924
Public Safety	-	-	-	-	-	-	499,382	499,382
Highways & Public Improvement	-	-	3,438,054	-	-	-	755,477	4,193,531
Emergency	-	-	-	-	-	-	583,641	583,641
Health and Welfare	-	-	-	482,089	-	-	50,541	532,630
Culture and Recreation	-	-	-	-	-	-	404,947	404,947
Conservation of Natural Resources	-	-	-	-	-	-	536,706	536,706
Economic Development	-	-	-	-	-	-	23,148	23,148
Capital Projects	-	-	-	-	-	6,850,708	392,571	7,243,279
<u>Unassigned</u>								
General Fund	2,783,107	-	-	-	-	-	-	2,783,107
Negative Fund Balances	-	(2,166,463)	-	-	(861,511)	-	(23,274)	(3,051,248)
<b>Total Fund Balances</b>	<b>\$ 2,798,101</b>	<b>\$ (2,166,463)</b>	<b>\$ 3,438,054</b>	<b>\$ 482,089</b>	<b>\$ (861,511)</b>	<b>\$ 7,077,647</b>	<b>\$ 4,439,050</b>	<b>\$ 15,206,967</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,091,112</b>	<b>\$ 182,117</b>	<b>\$ 3,438,054</b>	<b>\$ 907,427</b>	<b>\$ 9,809</b>	<b>\$ 7,077,647</b>	<b>\$ 5,464,940</b>	<b>\$ 22,171,106</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, 2015

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Total <i>Fund Balances</i> for Governmental Funds		\$ 15,206,967
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	\$ 131,666,399	
Less Accumulated Depreciation	<u>(62,369,559)</u>	69,296,840

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	\$ 122,419	
Certified Special Assessments Receivable	2,224	
Uncertified Special Assessments Receivable	<u>489,682</u>	614,325

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	\$ 1,156,030	
Deferred Inflows Related to Pensions	<u>(540,844)</u>	<u>615,186</u>

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, 2015 are:

Sales Tax Bond Payable	\$ (9,000,000)	
Less: Bond Discount	67,500	
Loan Drawdown	(1,032,050)	
Loans Payable	(483,682)	
Capital Lease	(702,141)	
Interest Payable	(76,940)	
Retainage Payable	(324,909)	
Compensated Absences	(1,083,984)	
Net Pension Liability	<u>(3,914,715)</u>	<u>(16,550,921)</u>
Total Long-Term Liabilities		

Total Net Position of Governmental Activities		<u>\$ 69,182,397</u>
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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, 2015

	Major Funds							Total Governmental Funds
	General	County Road & Bridge	Highway Distribution Tax	Social Welfare	Berube Apartment Building	County Jail Maintenance & Construction	Other Governmental Funds	
<b>Revenues:</b>								
Property Taxes	\$ 2,695,046	\$ 20,923	\$ -	\$ 1,670,285	\$ -	\$ -	\$ 4,210,339	\$ 8,596,593
Sales Taxes	-	-	-	-	-	279,872	1,267,293	1,547,165
Special Assessments	-	-	-	-	-	-	61,112	61,112
Intergovernmental Revenues	2,669,697	613,119	3,378,108	1,080,379	-	-	1,984,016	9,725,319
Charges for Services	745,486	34,284	-	-	213,890	-	581,652	1,575,312
Licenses, Permits, & Fees	209,129	4,078	-	-	-	-	-	213,207
Interest Income	30,933	-	-	-	-	-	-	30,933
Miscellaneous Revenues	105,026	112,834	-	-	-	3,663	194,597	416,120
<b>Total Revenues</b>	<b>\$ 6,455,317</b>	<b>\$ 785,238</b>	<b>\$ 3,378,108</b>	<b>\$ 2,750,664</b>	<b>\$ 213,890</b>	<b>\$ 283,535</b>	<b>\$ 8,299,009</b>	<b>\$ 22,165,761</b>
<b>Expenditures:</b>								
<b>Current</b>								
General Government	\$ 2,972,467	\$ -	\$ -	\$ -	\$ 115,736	\$ -	\$ 1,105,337	\$ 4,193,540
Public Safety	5,632,417	-	-	-	-	-	237,387	5,869,804
Highways & Public Improvements	-	6,310,147	-	-	-	-	893,863	7,204,010
Health and Welfare	-	-	-	2,765,914	-	-	563,694	3,329,608
Culture and Recreation	-	-	-	-	-	-	803,053	803,053
Conservation of Natural Resources	900	-	-	-	-	-	512,307	513,207
Economic Development	-	-	-	-	-	-	127,821	127,821
Capital Outlay	-	1,265,350	-	-	-	3,127,287	1,677,530	6,070,167
<b>Debt Service:</b>								
Principal	1,516	74,922	-	-	-	-	53,584	130,022
Interest and Service Charge	80	30,322	-	-	-	273	8,060	38,735
<b>Total Expenditures</b>	<b>\$ 8,607,380</b>	<b>\$ 7,680,741</b>	<b>\$ -</b>	<b>\$ 2,765,914</b>	<b>\$ 115,736</b>	<b>\$ 3,127,560</b>	<b>\$ 5,982,636</b>	<b>\$ 28,279,967</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$(2,152,063)</b>	<b>\$(6,895,503)</b>	<b>\$ 3,378,108</b>	<b>\$ (15,250)</b>	<b>\$ 98,154</b>	<b>\$ (2,844,025)</b>	<b>\$ 2,316,373</b>	<b>\$(6,114,206)</b>
<b>Other Financing Sources (Uses):</b>								
Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,000,000	\$ -	\$ 9,000,000
Bond Discount	-	-	-	-	-	(67,500)	-	(67,500)
Bond Issuance Costs	-	-	-	-	-	(42,878)	-	(42,878)
Loan Proceeds	-	-	-	-	-	1,032,050	396,326	1,428,376
Transfers In	2,022,143	6,250,000	-	218,500	-	-	389,224	8,879,867
Transfers Out	(13,312)	-	(4,500,000)	(143,848)	-	-	(4,222,707)	(8,879,867)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 2,008,831</b>	<b>\$ 6,250,000</b>	<b>\$ (4,500,000)</b>	<b>\$ 74,652</b>	<b>\$ -</b>	<b>\$ 9,921,672</b>	<b>\$ (3,437,157)</b>	<b>\$ 10,317,998</b>
<b>Net Change in Fund Balances</b>	<b>\$ (143,232)</b>	<b>\$(645,503)</b>	<b>\$(1,121,892)</b>	<b>\$ 59,402</b>	<b>\$ 98,154</b>	<b>\$ 7,077,647</b>	<b>\$(1,120,784)</b>	<b>\$ 4,203,792</b>
Fund Balance - January 1	\$ 2,941,333	\$(1,520,960)	\$ 4,559,946	\$ 422,687	\$(959,665)	\$ -	\$ 5,559,834	\$ 11,003,175
Fund Balance - December 31	\$ 2,798,101	\$(2,166,463)	\$ 3,438,054	\$ 482,089	\$(861,511)	\$ 7,077,647	\$ 4,439,050	\$ 15,206,967

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, 2015

Net Change in *Fund Balances* - Total Governmental Funds \$ 4,203,792

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	\$ 8,537,796	
Capital Contribution	389,628	
Depreciation Expense	<u>(3,240,866)</u>	5,686,558

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	\$ (82,652)	
Increase in Retainage Payable	(324,909)	
Increase in Interest Payable	<u>(65,977)</u>	(473,538)

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.

Issuance of Sales Tax Bonds Payable	\$ (9,000,000)	
Less: Bond Discount	67,500	
Repayment of Loan Principal	53,583	
Drawdown of Loan	(1,032,050)	
Issuance of Loans	(396,326)	
Repayment of Capital Lease	<u>76,439</u>	(10,230,854)

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	\$ (563,081)	
Increase in Deferred Outflows of Resources	435,166	
Decrease in Deferred Inflows of Resources	<u>153,441</u>	25,526

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:

Decrease in Taxes Receivable	\$ (34,923)	
Increase in Certified Special Assessment Receivable	844	
Increase in Uncertified Special Assessments Receivable	<u>328,516</u>	<u>294,437</u>

Change in Net Position of Governmental Activities \$ (494,079)

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, 2015

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	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>\$ 7,170,171</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>\$ 7,170,171</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, 2015

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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.

## 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.

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

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

E. Capital Assets**PRIMARY GOVERNMENT:**

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

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

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

<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
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.

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 \$2,463,972 at December 31, 2015 represents 33.7% of annual 2015 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, 2015.

**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: county road and bridge, Berube apartment building, county poor, abandoned cemeteries, gearing up for kindergarten, DHS CAP 11-12, county motor pool, a portion of equipment replacement, and Entzel's fourth street improvement.

**Net Position:**

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.

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

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

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

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: LEGAL COMPLIANCE - BUDGETS**BUDGET AMENDMENTS

The board of county commissioners amended the county budget for 2015 as follows:

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
<b>Major Funds</b>			
Road and Bridge	\$ 5,030,136	\$ 2,650,000	\$ 7,680,136
Berube Apartment Building	115,000	736	115,736
<b>Nonmajor Special Revenue Funds</b>			
Farm to Market	1,300,000	345,000	1,645,000
County Poor	407,897	30,010	437,907
LEC	-	114,001	114,001
County Park	853,889	45,900	899,789
Property and Assets Forfeiture	-	7,300	7,300
Inmates Betterment Fund	-	25,134	25,134
MC Community Garden	-	1,012	1,012
DHS Cap	-	3,039	3,039
Region VII PRC	-	4,181	4,181
Correction Center Sales Tax	-	1,504,932	1,504,932
Land Line E-911	350,000	1,044	351,044
Morton County Health	510,043	35,858	545,901
County Fair	85,610	4,024	89,634
<b>Nonmajor Debt Service Funds</b>			
Schlosser Special #5 (501)	3,650	28	3,678
Entzels Special #5 (511)	1,050	3	1,053

**NOTE 3: DEPOSITS AND INVESTMENTS**

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

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

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

At year ended December 31, 2015, the County's carrying amount of deposits was \$17,759,911 and the bank balances were \$17,590,118. Of the bank balances, \$3,701,536 was covered by Federal Depository Insurance. The remaining balances of \$13,888,582 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2015, Morton County Water Resource District's carrying amount of deposits was \$3,228,889, and the bank balances were \$3,249,528. Of the bank balances, \$1,885,888 was covered by Federal Depository Insurance. The remaining balances of \$1,434,792 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2015, the Lower Heart River Water Resource District's carrying amount of deposits was \$493,288, and the bank balances were \$493,588. Of the bank balances, \$473,960 was covered by Federal Depository Insurance. The remaining balances of \$19,628 were collateralized with securities held by the pledging financial institution's agent in the government's name.

**Credit Risk:**

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

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

As of December 31, 2015, the County held certificates of deposit in the amount of \$5,331,635, which are all considered deposits.

As of December 31, 2015, Morton County Water Resource District held certificates of deposit in the amount of \$1,256,824, which are all considered deposits.

## MORTON COUNTY

### Notes to the Financial Statements – Continued

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As of December 31, 2015, Lower Heart River Water Resource District held certificates of deposit in the amount of \$395,930, which are all considered investments.

The investments of the County pooled funds reported in cash and investments are an investment in the MBBM investment pool. The MBBM investment pool was undertaken through a joint powers agreement between the City of Bismarck, City of Mandan, Morton County, Burleigh County, Bismarck Park District, Mandan Park District, and Mandan Public School District. The pool invests in securities authorized by State Statutes. At December 31, 2015, the district's portion of MBBM had a fair market value of \$1,467,484. The pool portfolio had average credit quality rating of AAA and average days to maturity of 90 days.

#### Interest Rate Risk:

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

#### Concentration of Credit Risk:

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

### NOTE 4: RESTRICTED CASH AND INVESTMENTS

#### **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.

#### **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 \$143,783 reported in the enterprise funds for debt service.

### NOTE 5: ACCOUNTS RECEIVABLE

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

### NOTE 6: INTERGOVERNMENTAL RECEIVABLES

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

### NOTE 7: LOANS RECEIVABLE

Morton County has the following loan receivable at December 31, 2015:

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.

\$57,501

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 8: INTERFUND RECEIVABLES/PAYABLES**Interfund loan receivable/Interfund loan payable:

Interfund loans receivable and payable total \$864,000. The following table represents the amounts of loans receivable and loans payable by fund reported in the balance sheet:

	<b>Due To</b>	<b>Due From</b>
Berube Apartment Building	\$ -	\$ 864,000
Equipment Replacement	864,000	-
<b>Total</b>	<b>\$ 864,000</b>	<b>\$ 864,000</b>

Due to other funds/Due from other funds:

The due to/due from other funds totaling \$1,484,829 represents the amounts of negative cash in several funds borrowed from the general fund and the highway tax distribution fund.

	<b>Due To</b>	<b>Due From</b>
<b>Major Funds:</b>		
General Fund	\$ -	\$ 9,133
County Road and Bridge	1,475,696	-
Highway Tax Distribution	-	1,475,696
<b>Nonmajor Funds:</b>		
Schlosser's Specials #5	617	-
Entzel's 4th Street Improvement	8,516	-
<b>Total</b>	<b>\$ 1,484,829</b>	<b>\$ 1,484,829</b>

**NOTE 9: TAXES AND SPECIAL ASSESSMENT RECEIVABLE**

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

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

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

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

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

**MORTON COUNTY**

Notes to the Financial Statements – Continued

**NOTE 10: CAPITAL ASSETS**

**PRIMARY GOVERNMENT:**

The following is a summary of changes in capital assets for the year ended December 31, 2015:

<b>Governmental Activities:</b>	<b>Restated Bal. January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 851,559	\$ 900,000	\$ -	\$ -	\$ 1,751,559
Intangibles - right of ways	549,727	-	-	-	549,727
Construction in Progress	1,152,341	4,764,683	-	(738,277)	5,178,747
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 2,553,627</b>	<b>\$ 5,664,683</b>	<b>\$ -</b>	<b>\$ (738,277)</b>	<b>\$ 7,480,033</b>
<i>Capital assets being depreciated:</i>					
Buildings	\$ 11,884,055	\$ -	\$ -	\$ 738,277	\$ 12,622,332
Vehicles & Equipment	10,502,832	1,894,112	702,172	-	11,694,772
Improvements	87,613	53,820	-	-	141,433
Infrastructure	98,413,019	1,314,809	-	-	99,727,828
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 120,887,519</b>	<b>\$ 3,262,741</b>	<b>\$ 702,172</b>	<b>\$ 738,277</b>	<b>\$ 124,186,365</b>
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 5,201,541	\$ 252,448	\$ -	\$ -	\$ 5,453,989
Vehicles & Equipment	7,602,684	1,391,246	702,172	-	8,291,758
Improvements	81,386	5,146	-	-	86,532
Infrastructure	46,945,253	1,592,026	-	-	48,537,279
<b>Total Accumulated Depreciation</b>	<b>\$ 59,830,864</b>	<b>\$ 3,240,866</b>	<b>\$ 702,172</b>	<b>\$ -</b>	<b>\$ 62,369,558</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 61,056,655</b>	<b>\$ 21,875</b>	<b>\$ -</b>	<b>\$ 738,277</b>	<b>\$ 61,816,807</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 63,610,282</b>	<b>\$ 5,686,558</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 69,296,840</b>

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

<b>Governmental Activities:</b>	<b>Total</b>
General Government	\$ 177,910
Public Safety	254,938
Highway and Bridges	2,745,140
Health and Welfare	27,662
Culture and Recreation	35,216
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 3,240,866</b>

**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, 2015:

<b>Governmental Activities - Morton WRD:</b>	<b>Balance 1/1/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/15</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	-	-	47,111
Infrastructure	7,561,777	103,384	-	7,665,161
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 7,815,012</b>	<b>\$ 103,384</b>	<b>\$ -</b>	<b>\$ 7,918,396</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 27,956	\$ 9,000	\$ -	\$ 36,956
Equipment/Vehicles	18,913	3,618	-	22,531
Infrastructure	924,310	164,980	-	1,089,290
<b>Total Accumulated Depreciation</b>	<b>\$ 971,179</b>	<b>\$ 177,598</b>	<b>\$ -</b>	<b>\$ 1,148,777</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 6,843,833</b>	<b>\$ (74,214)</b>	<b>\$ -</b>	<b>\$ 6,769,619</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 7,895,621</b>	<b>\$ (74,214)</b>	<b>\$ -</b>	<b>\$ 7,821,407</b>



**MORTON COUNTY**

Notes to the Financial Statements – Continued

<b>Business-Type Activities - Morton WRD:</b>	<b>Balance 1/1/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/15</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,100	\$ -	\$ -	\$ 1,100
Construction in Progress	1,213,083	33,154	-	1,246,237
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 1,214,183</b>	<b>\$ 33,154</b>	<b>\$ -</b>	<b>\$ 1,247,337</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 9,800	\$ -	\$ -	\$ 9,800
Equipment	444,190	-	-	444,190
Infrastructure	14,891,827	-	-	14,891,827
<b>Total Capital Assets, Being Depreciated</b>	<b>\$15,345,817</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$15,345,817</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 4,573	\$ 327	\$ -	\$ 4,900
Equipment	395,469	17,240	-	412,709
Infrastructure	5,202,741	297,836	-	5,500,577
<b>Total Accumulated Depreciation</b>	<b>\$ 5,602,783</b>	<b>\$ 315,403</b>	<b>\$ -</b>	<b>\$ 5,918,186</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 9,743,034</b>	<b>\$ (315,403)</b>	<b>\$ -</b>	<b>\$ 9,427,631</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$10,957,217</b>	<b>\$ (282,249)</b>	<b>\$ -</b>	<b>\$10,674,968</b>

Amortization of Intangible Asset:

<b>Business-Type Activities - Morton WRD:</b>	<b>1/1/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>12/31/15</b>
Right to purchase Water	\$ 1,371,300	\$ -	\$ -	\$ 1,371,300
Less: Amortization	676,886	31,565	-	708,451
<b>Business-Type Activities Intangible Assets, Net</b>	<b>\$ 694,414</b>	<b>\$ (31,565)</b>	<b>\$ -</b>	<b>\$ 662,849</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.

Lower Heart Water Resource District:

The following is a summary of changes in capital assets for the year ended December 31, 2015:

<b>Enterprise Activities - Morton WRD:</b>	<b>Balance 1/1/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/15</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>\$ 341,721</b>	<b>\$ 158,335</b>	<b>\$ -</b>	<b>\$ 500,056</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 20,000	\$ -	\$ -	\$ 20,000
Equipment	347,785	-	-	347,785
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 367,785</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 367,785</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 18,800	\$ 400	\$ -	\$ 19,200
Equipment	209,200	13,373	-	222,573
<b>Total Accumulated Depreciation</b>	<b>\$ 228,000</b>	<b>\$ 13,773</b>	<b>\$ -</b>	<b>\$ 241,773</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 139,785</b>	<b>\$ (13,773)</b>	<b>\$ -</b>	<b>\$ 126,012</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 481,506</b>	<b>\$ 144,562</b>	<b>\$ -</b>	<b>\$ 626,068</b>

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

**MORTON COUNTY**

Notes to the Financial Statements – Continued

**NOTE 11: ACCOUNTS PAYABLE**

Accounts payable consists of amounts on open account for goods and services received prior to December 31, 2015 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

**NOTE 12: SALARIES AND BENEFITS PAYABLE**

Salaries and benefits payable consists of amounts due to employees and benefits for services rendered prior to December 31, 2015 but paid subsequent to that date.

**NOTE 13: INTEREST PAYABLE**

Interest payable consists of interest amounts accrued on loans and leases payable at December 31, 2015, but not paid until after year-end.

**NOTE 14: LONG-TERM LIABILITIES****PRIMARY GOVERNMENT**

**Changes in Long-Term Liabilities** - During the year ended December 31, 2015, the following changes occurred in long-term liabilities for Morton County:

	<b>Balance 1/1/15</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/15</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
Bonds Payable	\$ -	\$ 9,000,000	\$ -	\$ 9,000,000	\$ 339,000
Less: Bond Discount	-	(67,500)	-	(67,500)	(3,375)
Loan Drawdown Payable	-	1,032,050	-	1,032,050	-
Loans Payable	140,939	396,326	53,583	483,682	59,175
Leases Payable	778,580	-	76,439	702,141	79,530
Compensated Absences *	1,001,332	82,652	-	1,083,984	108,399
Net Pension Liability *	3,351,634	563,081	-	3,914,715	-
<b>Total Governmental Activities</b>	<b>\$ 5,272,485</b>	<b>\$ 11,006,609</b>	<b>\$ 130,022</b>	<b>\$ 16,149,072</b>	<b>\$ 582,729</b>

\* 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:**

On November 16, 2015, the County issued \$60,000,000 of sales tax revenue bonds. The proceeds derived from the sale of the series 2015 bonds are used to finance the development and construction of a multi-county detention center, the funding of a reserve for the bonds, and the payment of the costs of issuance of the bonds. The bonds are paid back with a ½ cent sales tax levied in both Burleigh and Morton Counties. The bonds are 85% the responsibility of Burleigh County, and 15% the responsibility of Morton County. Morton County's share of the 2015 Series A sales tax bonds are \$9,000,000; discount of \$67,500 is applicable to those bonds.

Additionally, 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, 2015, \$6,880,334 had been drawn down, of which \$1,032,050 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**

Notes to the Financial Statements – Continued

Outstanding debt (excluding compensated absences and net pension liability) at December 31, 2015 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 \$67,500 discount). \$9,000,000

**Loan Drawdown:**

\$4,500,000 Loan Drawdown from Wells Fargo Bank with no set payment schedule; interest at 2.34%. \$1,032,050

**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% \$ 237,253

\$159,073 Loan from Starion Financial due in annual installments of \$15,548 through \$18,186; interest at 3.39% 159,073

\$200,000 Loan from Starion Financial due in annual installments of \$1,498 to \$17,269 through April 10, 2020; interest at 4.5%. 66,176

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

\$82,000 Loan from Starion Financial due in annual installments of \$1,109 to \$6,897 through April 10, 2018; interest at 5%. 14,567

Total Loans Payable \$ 483,682

**Leases Payable:**

Capital Lease for four John Deere Motor Graders. The lease is for five years (quarterly payments) at a 4% interest rate. Last payment due May 16, 2017 totaling \$607,200. \$ 699,108

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. 3,033

Total Leases Payable \$ 702,141

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

GOVERNMENTAL ACTIVITIES						
Year Ending 12/31/15	Bonds Payable		Loans Payable		Leases Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 339,000	\$ 324,107	\$ 59,175	\$ 17,382	\$ 79,530	\$ 27,311
2017	339,000	329,277	49,090	16,139	622,611	12,497
2018	342,750	312,327	44,943	16,009	-	-
2019	348,000	295,190	45,540	11,863	-	-
2020	354,000	277,790	30,753	10,224	-	-
2021 - 2025	1,896,000	1,156,313	162,302	33,613	-	-
2026 - 2030	2,190,750	827,838	91,879	9,979	-	-
2031 - 2035	3,190,500	410,003	-	-	-	-
Totals	\$ 9,000,000	\$ 3,932,845	\$ 483,682	\$ 115,209	\$ 702,141	\$ 39,808

**MORTON COUNTY**

Notes to the Financial Statements – Continued

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

**Changes in Long-Term Liabilities** - During the year ended December 31, 2015, the following changes occurred in liabilities reported in long-term liabilities for Morton County.

Governmental Activities:

<b>Governmental Activities - Morton WRD</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
Special Assessment Loan	\$ 119,000	\$ -	\$ 14,000	\$ 105,000	\$ 14,000
Loan Payable	107,553	-	7,626	99,927	7,984
<b>Total Governmental Activities - Morton WRD</b>	<b>\$ 226,553</b>	<b>\$ -</b>	<b>\$ 21,626</b>	<b>\$ 204,927</b>	<b>\$ 21,984</b>

Outstanding governmental activities debt at December 31, 2015 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% \$105,000

**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. 99,927

Total \$204,927

Debt service requirements on long-term debt for governmental activities at December 31, 2015 are as follows:

<b>Governmental Activities - Morton County WRD</b>				
<b>Year Ending Dec. 31</b>	<b>Special Assessments</b>		<b>Loan Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 14,000	\$ 2,625	\$ 7,984	\$ 4,876
2017	14,000	2,275	8,385	4,475
2018	15,000	1,925	8,794	4,067
2019	15,000	1,550	9,222	3,638
2020	15,000	1,175	9,662	3,198
2021 - 2025	32,000	1,200	55,880	8,420
<b>Total</b>	<b>\$ 105,000</b>	<b>\$ 10,750</b>	<b>\$ 99,927</b>	<b>\$ 28,674</b>

Business-Type Activities:

<b>Business-Type Activities - Morton WRD</b>	<b>Balance Jan. 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec. 31</b>	<b>Due Within One Year</b>
Water Revenue Refunding Bonds	\$ -	\$ 2,759,000	\$ -	\$ 2,759,000	\$ 76,302
State Water Commission Loans	541,299	-	541,299	-	-
USDA-RD RUS Loans	2,445,300	-	2,221,300	224,000	6,000
Compensated Absences *	75,604	-	3,122	72,482	21,745
<b>Total Business-Type Activities - Morton WRD</b>	<b>\$ 3,062,203</b>	<b>\$ 2,759,000</b>	<b>\$ 2,765,721</b>	<b>\$ 3,055,482</b>	<b>\$ 104,047</b>

\* - 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, 2015, 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.

\$2,759,000**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%.

\$ 224,000

Debt service requirements on business-type activity long-term debt at December 31, 2015 are as follows:

<b>Business-Type Activities - Morton County WRD</b>				
<b>Year Ending Dec. 31</b>	<b>Refunding Bond</b>		<b>Loan Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 76,302	\$ 93,530	\$ 6,000	\$ 9,800
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 - 2025	482,321	366,838	38,000	39,025
2026 - 2030	1,868,412	279,350	47,000	29,925
2031 - 2035	-	-	59,000	18,681
2036 - 2040	-	-	49,000	5,031
<b>Total</b>	<b>\$ 2,759,000</b>	<b>\$ 1,087,080</b>	<b>\$ 224,000</b>	<b>\$ 139,038</b>

**Operating Lease – County:**

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

**Operating Lease – Lower Heart Water Resource District:**

The Lower Heart Water Resource District has a lease of land to another entity and acquired an additional lease of land in 2015. These leases are considered for accounting purposes to be operating leases. Lease revenues were \$8,146 for 2015. The leases expire on September 30, 2088 and October 31, 2016.

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

Future minimum lease revenue is as follows:

Year Ending Dec. 31	Amount
2016	\$ 8,146
2017	3,800
2018	3,800
2019	3,800
2020	3,800
2021 - 2088	258,400
Total	\$ 281,746

**Lower Heart Water Resource District:**

**Changes in Long-Term Liabilities** - During the year ended December 31, 2015, the following changes occurred in liabilities reported in long-term liabilities:

Gov't Activities - Lower Heart WRD	Balance 1/1/15	Increases	Decreases	Balance 12/31/15	Due Within One Year
Special Assessments Payable	\$ 125,300	\$ -	\$ 18,348	\$ 106,952	\$ 18,281

Outstanding debt at December 31, 2015 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%.

\$106,952

Debt service requirements on long-term debt at December 31, 2015 are as follows:

Gov't Activities - Lower Heart WRD		
Year Ending Dec. 31	Special Assessments	
	Principal	Interest
2016	\$ 18,281	\$ 6,122
2017	18,281	5,079
2018	17,614	4,016
2019	17,592	3,008
2020	17,592	2,005
2021	17,592	1,003
Total	\$ 106,952	\$ 21,233

**NOTE 15: TAXES RECEIVED IN ADVANCE / 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, 2015 but not earned until January 2016 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

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**NOTE 16: DEFERRED OUTFLOWS OF RESOURCES**

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

**NOTE 17: DEFICIT BALANCES**

The following funds were in a deficit fund balance position at December 31, 2015:

<b>Governmental Funds</b>	<b>Balance</b>
<b>Major Funds:</b>	
County Road and Bridge	\$ (1,475,696)
Berube Apartment Building	(861,511)
<b>Nonmajor Debt Service Funds:</b>	
Schlosser's Specials #5	(617)
Entzel's 4th Street Improvement	(8,516)

**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 18: PENSION PLAN**

**General Information about the NDPERS Pension Plan**

***North Dakota Public Employees Retirement System (Main System)***

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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.

**Pension Benefits**

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). 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 55-64 with three or more years of service.

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

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 25 months of service	Greater of two percent of monthly salary or \$25
26 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

**Member and Employer Contributions**

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.

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

At December 31, 2015, Morton County reported a liability of \$3,914,715 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the Employer's proportion was .777250 percent, which was an increase of .088400 percent from its proportion measured as of June 30, 2014.



**MORTON COUNTY**

## Notes to the Financial Statements – Continued

For the year ended December 31, 2015, the Employer recognized pension expense of \$560,494. At December 31, 2015, 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	\$ 259,070	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	344,380	16,758
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	13,665	83,786
Changes of Assumptions	-	440,300
District Contributions Subsequent to the Measurement Date	538,915	-
<b>Total</b>	<b>\$ 1,156,030</b>	<b>\$ 540,844</b>

\$538,915 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, 2015.

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

2016	\$ (96,158)
2017	(96,158)
2018	(96,158)
2019	85,979
2020	(48,856)

**Actuarial Assumptions**

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	3.85% per annum for four years, then 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 with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

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 on the next page:

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

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%	1.55%
International Fixed Income	5%	.90%
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, 2014. 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, 2014, 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, 2014. 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, 2014.

**Sensitivity of the District'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:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's Proportionate Share of the Net Pension Liability	\$ 6,220,936	\$ 3,914,715	\$ 2,044,998

**Pension Plan Fiduciary Net Position**

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

**NOTE 19: 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 (NDRIF), 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 NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF 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 \$6,804,083 for the county, \$155,052 for the Morton County Water Resource District, and \$79,441 for the Lower Heart Water Resource District.

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

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 \$1,084,000 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 20: JOINT VENTURE****Primary Government:**

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

Summary financial information for the year ended December 31, 2014, the most current year audited, is as follows:

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

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

**Missouri River Joint Water Board:**

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

Unaudited summary financial information for the year ended December 31, 2015, the most current information available, is as follows:

Cash and Investments	\$ 25,514
Total Revenues	\$ 233,174
Total Expenses	(222,714)
Change in Net Position	\$ 10,460

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

**MORTON COUNTY**

## Notes to the Financial Statements – Continued

**NOTE 21: 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, 2015:

<b>Major Funds:</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 2,022,143	\$ 13,312
County Road & Bridge	6,250,000	-
Highway Tax Distribution	-	4,500,000
Social Welfare	218,500	143,848
<b>Non-Major Funds:</b>		
Road/Bridge Unorganized	-	1,000,000
Farm to Market Roads	-	750,000
County Poor	143,848	-
County Extension	9,100	-
Advertising	191	10,515
Oasis & Social Security	-	1,429,544
Veteran's Service Officer	14,700	-
Abandoned Cemeteries	13,120	-
County Park	200,000	190,000
Correctional Center	-	534,384
DHS 10-11	-	82
Gearing up for Kindergarten	87	-
ADHD Grant II	-	592
DHS Rural Outreach	2,837	4,538
PRC Program Grants	-	215
DHS CAP 11-12	2,068	-
Region VII PRC	3,272	2,837
Land Line 911	-	300,000
<b>Total Transfers</b>	<b>\$ 8,879,867</b>	<b>\$ 8,879,867</b>

**NOTE 22: 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, 2015, there were five series of Municipal Industrial Development Bonds issued with original principal balances totaling \$24,104,016.

**MORTON COUNTY**

Notes to the Financial Statements – Continued

**NOTE 23: PRIOR PERIOD ADJUSTMENTS**

There were prior period adjustments for the period ending December 31, 2014 to beginning net position at January 1, 2015 for Governmental Activities involving adjustments to infrastructure capital assets and net pension liability.

<b>Governmental Activities:</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 72,727,328
<b>Adjustments to restate the January 1, 2015 Net Position:</b>	
Adjustment to Capital Assets - CIP	433,994
Adjustment to Capital Assets - Depreciation	(159,791)
Net Pension Liability	(3,351,634)
Deferred Outflows of Resources Related to Pensions	720,864
Deferred Inflows of Resources Related to Pensions	(694,285)
Net Position January 1, as restated	\$ 69,676,476

**NOTE 24: 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:

<b>Project</b>	<b>Amended Contract</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>	<b>% Complete</b>
County Jail	\$ 10,578,296	\$ 3,755,030	\$ 324,909	\$ 6,823,266	35.50%

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

The Morton County Water Resource District had the following open construction contract at December 31, 2015 for the South Mandan water expansion project. The open contract summary is as follows:

<b>Project</b>	<b>Amended Contract</b>	<b>Total Completed</b>	<b>Retainage</b>	<b>Remaining Balance</b>	<b>% Complete</b>
South Expansion	\$ 1,143,645	\$ 1,153,645	\$ 30,000	\$ 30,000	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, 2015 for Morton County and the Water Resource District.

**NOTE 25: SUBSEQUENT EVENTS - JAIL**

Morton County entered into an agreement with Burleigh County to construct a new shared correctional center facility. The citizens of both counties voted a ½ cent sales tax to help finance the construction of the new facility.

Sales tax bonds totaling \$60,000,000 were issued November 16, 2015 to finance the construction costs with Burleigh County paying 85% of the costs and Morton County paying 15% of the costs. The Burleigh County share of the bonds is 85% and the Morton County share of the bonds is 15%.

Additionally, a \$30,000,000 loan line of credit was set up at Wells Fargo for jail construction costs. As of December 31, 2015, \$5,848,284 had been drawn down for construction costs, of which \$1,032,050 is Morton County's share.

MORTON COUNTY  
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,604,435	\$ 2,604,435	\$ 2,695,046	\$ 90,611
Licenses, Permits and Fees	40,500	40,500	209,129	168,629
Intergovernmental	2,712,116	2,712,116	2,669,697	(42,419)
Charges for Services	692,960	692,960	745,486	52,526
Interest Income	2,000	2,000	30,933	28,933
Miscellaneous	62,650	62,650	105,026	42,376
<b>Total Revenues</b>	<b>\$ 6,114,661</b>	<b>\$ 6,114,661</b>	<b>\$ 6,455,317</b>	<b>\$ 340,656</b>
<u>Expenditures:</u>				
Current:				
General Government	\$ 3,049,948	\$ 3,049,948	\$ 2,972,467	\$ 77,481
Public Safety	5,584,014	5,584,014	5,632,417	(48,403)
Conservation of Natural Resources	900	900	900	-
<b>Total Expenditures</b>	<b>\$ 8,634,862</b>	<b>\$ 8,634,862</b>	<b>\$ 8,607,380</b>	<b>\$ 27,482</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (2,520,201)</b>	<b>\$ (2,520,201)</b>	<b>\$ (2,152,063)</b>	<b>\$ 368,138</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,700,000	\$ 1,700,000	\$ 2,022,143	\$ 322,143
<b>Net Change in Fund Balances</b>	<b>\$ (820,201)</b>	<b>\$ (820,201)</b>	<b>\$ (143,232)</b>	<b>\$ 676,969</b>
Fund Balance - January 1	\$ 2,941,333	\$ 2,941,333	\$ 2,941,333	-
<b>Fund Balance - December 31</b>	<b>\$ 2,121,132</b>	<b>\$ 2,121,132</b>	<b>\$ 2,798,101</b>	<b>\$ 676,969</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, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 23,346	\$ 23,346	\$ 20,923	\$ (2,423)
Licenses, Permits, & Fees	15,000	15,000	4,078	(10,922)
Charges for Services	26,400	26,400	34,284	7,884
Intergovernmental	5,336	5,336	613,119	607,783
Miscellaneous	117,000	117,000	112,834	(4,166)
<b>Total Revenues</b>	<b>\$ 187,082</b>	<b>\$ 187,082</b>	<b>\$ 785,238</b>	<b>\$ 598,156</b>
<u>Expenditures:</u>				
Current:				
Highways	\$ 4,755,136	\$ 4,755,136	\$ 6,310,147	\$ (1,555,011)
Capital Outlay	2,820,000	2,820,000	1,265,350	1,554,650
Debt Service:				
Principal	75,000	75,000	74,922	78
Interest and Service Charge	30,000	30,000	30,322	(322)
<b>Total Expenditures</b>	<b>\$ 7,680,136</b>	<b>\$ 7,680,136</b>	<b>\$ 7,680,741</b>	<b>\$ (605)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (7,493,054)</b>	<b>\$ (7,493,054)</b>	<b>\$ (6,895,503)</b>	<b>\$ 597,551</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 6,250,000	\$ 6,250,000	\$ 6,250,000	\$ -
<b>Net Change in Fund Balances</b>	<b>\$ (1,243,054)</b>	<b>\$ (1,243,054)</b>	<b>\$ (645,503)</b>	<b>\$ 597,551</b>
<b>Fund Balance - January 1</b>	<b>\$ (1,520,960)</b>	<b>\$ (1,520,960)</b>	<b>\$ (1,520,960)</b>	<b>\$ -</b>
<b>Fund Balance - December 31</b>	<b>\$ (2,764,014)</b>	<b>\$ (2,764,014)</b>	<b>\$ (2,166,463)</b>	<b>\$ 597,551</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, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Intergovernmental	\$ 2,960,000	\$ 2,960,000	\$ 3,378,108	\$ 418,108
<u>Expenditures:</u>				
Highways	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,960,000	\$ 2,960,000	\$ 3,378,108	\$ 418,108
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ -	\$ -	\$ (4,500,000)	\$ (4,500,000)
Net Change in Fund Balances	\$ 2,960,000	\$ 2,960,000	\$ (1,121,892)	\$ (4,081,892)
Fund Balance - January 1	\$ 4,559,946	\$ 4,559,946	\$ 4,559,946	\$ -
Fund Balance - December 31	\$ 7,519,946	\$ 7,519,946	\$ 3,438,054	\$ (4,081,892)

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, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 1,630,189	\$ 1,630,189	\$ 1,670,285	\$ 40,096
Intergovernmental	1,020,700	1,020,700	1,080,379	59,679
Total Revenues	<u>\$ 2,650,889</u>	<u>\$ 2,650,889</u>	<u>\$ 2,750,664</u>	<u>\$ 99,775</u>
<u>Expenditures:</u>				
Current:				
Health and Welfare	\$ 2,811,273	\$ 2,811,273	\$ 2,765,914	\$ 45,359
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (160,384)</u>	<u>\$ (160,384)</u>	<u>\$ (15,250)</u>	<u>\$ 145,134</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 218,500	\$ 218,500	\$ 218,500	\$ -
Transfers Out	-	-	(143,848)	(143,848)
Total Other Financing Sources and Uses	<u>\$ 218,500</u>	<u>\$ 218,500</u>	<u>\$ 74,652</u>	<u>\$ (143,848)</u>
Net Change in Fund Balances	<u>\$ 58,116</u>	<u>\$ 58,116</u>	<u>\$ 59,402</u>	<u>\$ 1,286</u>
Fund Balance - January 1	<u>\$ 422,687</u>	<u>\$ 422,687</u>	<u>\$ 422,687</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 480,803</u></u>	<u><u>\$ 480,803</u></u>	<u><u>\$ 482,089</u></u>	<u><u>\$ 1,286</u></u>

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

MORTON COUNTY  
Mandan, North Dakota

BUDGETARY COMPARISON SCHEDULE  
BERUBE APARTMENT FUND  
For the Year Ended December 31, 2015

	Original Budget	Amended Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Charges for Services	\$ 180,000	\$ 180,000	\$ 213,890	\$ 33,890
<u>Expenditures:</u>				
Current:				
General Government	\$ 115,736	\$ 115,736	\$ 115,736	\$ -
Capital Outlay	-	-	-	-
Total Expenditures	\$ 115,736	\$ 115,736	\$ 115,736	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 64,264	\$ 64,264	\$ 98,154	\$ 33,890
Fund Balance - January 1	\$ (959,665)	\$ (959,665)	\$ (959,665)	\$ -
Fund Balance - December 31	\$ (895,401)	\$ (895,401)	\$ (861,511)	\$ 33,890

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, 2015

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

	2014	2015
District's proportion of the net pension liability (asset)	0.688850%	0.777250%
District's proportionate share of the net pension liability (asset)	\$ 3,351,634	\$ 3,914,715
District's covered-employee payroll	\$ 5,821,552	\$ 6,953,707
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	57.57%	56.30%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

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

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

	2014	2015
Statutorily required contribution	\$ 414,495	\$ 495,104
Contributions in relation to the statutorily required contribution	\$ (414,495)	\$ (495,104)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 5,821,552	\$ 6,953,707
Contributions as a percentage of covered-employee payroll	7.12%	7.12%

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

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MORTON COUNTY  
Mandan, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2015

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**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: PENSIONS - CHANGES OF ASSUMPTIONS**

Amounts reported in 2015 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. 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, 2015

	Balance 1-1-15	Revenues	Transfers In	Other Financing Sources	Transfers Out	Expenditures	Balance 12-31-15
<b>Major Funds:</b>							
General Fund	\$ 2,247,208.58	\$ 6,668,366.59	\$ 2,022,143.06	\$ -	\$ 13,311.82	\$ 8,608,357.51	\$ 2,316,048.90
County Road & Bridge	(1,516,563.92)	622,909.43	6,250,000.00	-	-	7,679,718.02	(2,323,372.51)
Highway Distribution Tax	4,198,185.63	3,428,532.75	-	-	4,500,000.00	-	3,126,718.38
Social Welfare	405,559.65	2,745,569.06	218,500.00	-	143,847.70	2,790,115.66	435,665.35
Berube Apartment Building	(959,664.83)	204,820.68	-	-	-	115,735.66	(870,579.81)
County Jail Construction	-	283,534.64	-	9,921,672.30	-	3,127,559.72	7,077,647.22
<b>Total Major Funds</b>	<b>\$ 4,374,725.11</b>	<b>\$ 13,953,733.15</b>	<b>\$ 8,490,643.06</b>	<b>\$ 9,921,672.30</b>	<b>\$ 4,657,159.52</b>	<b>\$ 22,321,486.57</b>	<b>\$ 9,762,127.53</b>
<b>Non-Major Funds:</b>							
<b>Special Revenue Funds:</b>							
Road and Bridge-Unorganized	\$ 472,166.75	\$ 1,037,731.29	\$ -	\$ -	\$ 1,000,000.00	\$ -	\$ 509,898.04
Farm to Market Roads	1,364,242.78	484,183.62	-	-	750,000.00	893,862.90	204,563.50
Weed Control	348,863.07	242,654.82	-	-	-	242,392.09	349,125.80
County Poor	(178,851.31)	472,907.39	143,847.70	-	-	437,903.78	-
County Extension	30,145.58	261,973.04	9,100.00	-	-	257,526.86	43,691.76
Advertising	14,014.74	4,131.79	191.40	-	10,514.73	7,823.20	-
Oasis & Social Security	184,531.58	1,924,210.26	-	-	1,429,544.24	679,197.60	-
Veteran's Service Officer	31,414.67	144,832.83	14,700.00	-	-	152,840.21	38,107.29
Emergency Fund	524,027.20	59,613.68	-	-	-	-	583,640.88
LEC Fund	242,920.00	50,000.00	-	-	-	114,000.71	178,919.29
Abandoned Cemeteries	(19,926.41)	11,480.99	13,120.42	-	-	4,675.00	-
County Park	373,468.92	715,052.93	200,000.00	-	190,000.00	709,771.75	388,750.10
Correctional Center	60,710.78	508,673.31	-	-	534,384.09	35,000.00	-
Property & Asset Forfeiture	44,874.16	22,519.94	-	-	-	7,265.64	60,128.46
Self Insurance	78,982.26	1,700.71	-	-	-	-	80,682.97
DHS 10-11	81.93	-	-	-	81.93	-	-
States Attorney Forfeiture	62,894.68	1,726.80	-	-	-	-	64,621.48
Gearing up for Kindergarten	(87.09)	-	87.09	-	-	-	-
ADHD Grant II	592.46	-	-	-	592.46	-	-
Inmate Betterment Fund	50,193.44	19,654.61	-	-	-	25,133.34	44,714.71
DHS Rural Outreach	1,700.82	-	2,836.86	-	4,537.68	-	-
PRC Program Grants	215.09	-	-	-	215.09	-	-
MC Community Garden	3,270.11	3,925.00	-	-	-	1,011.16	6,183.95
DHS CAP 11-12	(1,521.17)	2,491.83	2,067.87	-	-	3,038.53	-
Region VII PRC	12,647.40	695.00	3,272.20	-	2,836.86	1,343.91	12,433.83
MANTF Asset Forfeiture	-	-	-	-	-	-	-
MANTF Operating Funds	-	4,077.55	-	-	-	-	4,077.55
Land Line 911	128,112.98	340,289.26	-	-	300,000.00	51,043.23	117,359.01
Equipment Replacement	885,671.24	141,105.00	-	-	-	133,535.00	893,241.24
County Motor Pool	(6,453.32)	31,582.93	-	-	-	23,369.17	1,760.44
Hazardous Chemicals Prep.	8,664.86	6,317.00	-	-	-	4,944.42	10,037.44
Document Preservation Fund	110,644.62	45,632.25	-	-	-	12,388.26	143,888.61
Morton County Library	20,168.66	170,094.74	-	-	-	180,000.00	10,263.40
Economic Development	18,856.52	124,289.72	-	-	-	119,998.00	23,148.24
<b>Total Non-Major</b>	<b>\$ 4,867,238.00</b>	<b>\$ 6,833,548.29</b>	<b>\$ 389,223.54</b>	<b>\$ -</b>	<b>\$ 4,222,707.08</b>	<b>\$ 4,098,064.76</b>	<b>\$ 3,769,237.99</b>
<b>Special Revenue Funds</b>	<b>\$ 4,867,238.00</b>	<b>\$ 6,833,548.29</b>	<b>\$ 389,223.54</b>	<b>\$ -</b>	<b>\$ 4,222,707.08</b>	<b>\$ 4,098,064.76</b>	<b>\$ 3,769,237.99</b>
<b>Debt Service Funds:</b>							
County Loan	\$ 39,132.92	\$ 4,906.18	\$ -	\$ -	\$ -	\$ -	\$ 44,039.10
Federal Aid Highway Bond 2002	28,113.02	-	-	-	-	-	28,113.02
Federal Aid Highway Bond 2005	2,232.89	-	-	-	-	-	2,232.89
Correctional center sales tax	-	1,504,931.14	-	-	-	1,504,931.14	-
Schlosser's Specials #5	613.23	13,548.11	-	-	-	18,219.06	(4,057.72)
Monte's Rancheros/Street Imp.	20,493.23	-	-	-	-	-	20,493.23
Captains Landing Paving	-	4,618.24	-	159,072.93	-	159,072.93	4,618.24
Willow Road/St. Imp. #4	63,488.66	399.06	-	-	-	-	63,887.72
Riverview Hgts/St. Imp. # 5	11,036.12	-	-	-	-	-	11,036.12
Entzel's 4th Street Improvement	(9,023.50)	26,561.23	-	-	-	35,597.94	(18,060.21)
Whispering hills paving	-	10,065.28	-	237,253.02	-	237,253.02	10,065.28
Entzel's Special #5	751.05	5,919.96	-	-	-	7,826.90	(1,155.89)
<b>Total Non-Major</b>	<b>\$ 156,837.62</b>	<b>\$ 1,570,949.20</b>	<b>\$ -</b>	<b>\$ 396,325.95</b>	<b>\$ -</b>	<b>\$ 1,962,900.99</b>	<b>\$ 161,211.78</b>
<b>Debt Service Funds</b>	<b>\$ 156,837.62</b>	<b>\$ 1,570,949.20</b>	<b>\$ -</b>	<b>\$ 396,325.95</b>	<b>\$ -</b>	<b>\$ 1,962,900.99</b>	<b>\$ 161,211.78</b>

continued on next page....

MORTON COUNTY  
Mandan, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT BALANCES  
For the Year Ended December 31, 2015

	Balance 1-1-15	Revenues	Transfers In	Other Financing Sources	Transfers Out	Expenditures	Balance 12-31-15
Continued.....							
<u>Capital Projects Funds:</u>							
Capital Projects	\$ 270,089.04	\$ 130,878.00	\$ -	\$ -	\$ -	\$ 39,064.07	\$ 361,902.97
County Special Assessments	76,983.72	12,955.24	-	-	-	1,769.42	88,169.54
Total Non-Major Capital Projects Funds	\$ 347,072.76	\$ 143,833.24	\$ -	\$ -	\$ -	\$ 40,833.49	\$ 450,072.51
Total Non-Major Funds	\$ 5,371,148.38	\$ 8,548,330.73	\$ 389,223.54	\$ 396,325.95	\$ 4,222,707.08	\$ 6,101,799.24	\$ 4,380,522.28
Total Governmental Funds	\$ 9,745,873.49	\$ 22,502,063.88	\$ 8,879,866.60	\$ 10,317,998.25	\$ 8,879,866.60	\$ 28,423,285.81	\$ 14,142,649.81
<u>Agency Funds:</u>							
Estimate Fund	\$ 400.42	\$ 29,175.55	\$ -	\$ -	\$ -	\$ 29,526.41	\$ 49.56
Senior Citizens	647.65	275,400.75	-	-	-	259,998.40	16,050.00
Morton County Health	1,707.80	683,028.27	-	-	-	545,900.87	138,835.20
County Fair	316.32	89,316.75	-	-	-	89,633.07	-
Lower Heart Water Resource District	28,780.41	270,511.60	-	-	-	221,043.44	78,248.57
Morton County Water Resource Dist.	37,266.13	296,384.92	-	-	-	260,225.54	73,425.51
Southwest Water Authority	11,959.85	152,433.61	-	-	-	129,554.95	34,838.51
Morton County Historical Society	85.20	28,861.44	-	-	-	23,746.56	5,200.08
Morton County Soil Conservation	14,791.92	115,234.97	-	-	-	98,924.08	31,102.81
State Tax	22,747.17	123,196.24	-	-	-	145,943.41	-
Game and Fish	43,645.00	119,709.50	-	-	-	151,897.00	11,457.50
Domestic Violence Prevention	210.00	5,485.00	-	-	-	5,695.00	-
Almont City	962.69	7,494.48	-	-	-	6,595.78	1,861.39
Flasher City	6,954.81	47,109.52	-	-	-	29,213.43	24,850.90
Flasher Park	1,112.56	5,044.21	-	-	-	5,491.97	664.80
Glen Ullin City	15,113.76	112,322.43	-	-	-	100,848.03	26,588.16
Glen Ullin Park	2,034.45	13,799.05	-	-	-	13,016.71	2,816.79
Hebron City	25,884.87	154,861.49	-	-	-	148,138.20	32,608.16
Hebron Park	7,547.14	45,619.35	-	-	-	43,655.22	9,511.27
Mandan City	2,302,683.64	10,679,491.05	-	-	-	10,005,342.62	2,976,832.07
Mandan Park	522,650.03	2,180,070.21	-	-	-	2,092,915.20	609,805.04
New Salem City	20,134.35	127,026.69	-	-	-	120,788.28	26,372.76
New Salem Park	29,221.33	84,950.28	-	-	-	95,400.48	18,771.13
Western Heart River Irrigation	14,474.23	46,554.13	-	-	-	50,144.00	10,884.36
Flasher Rural Fire	5,370.98	15,079.26	-	-	-	14,301.65	6,148.59
Glen Ullin Rural Fire	4,397.10	23,064.41	-	-	-	22,795.76	4,665.75
Hebron Rural Fire	4,790.85	22,364.87	-	-	-	21,674.04	5,481.68
Mandan Rural Fire	41,897.71	184,111.10	-	-	-	179,071.40	46,937.41
New Salem Rural Fire	7,834.90	34,765.54	-	-	-	35,151.40	7,449.04
Almont Rural Fire	2,018.52	10,515.76	-	-	-	10,242.83	2,291.45
Almont Ambulance	1,466.54	9,214.28	-	-	-	8,958.04	1,722.78
Captains Landing Twp. # 1	6,877.55	18,203.80	-	-	-	17,130.55	7,950.80
Mandan SD # 1	2,037,918.50	10,114,786.18	-	-	-	9,643,654.55	2,509,050.13
Solen SD # 3	9,830.81	110,749.20	-	-	-	111,344.23	9,235.78
Little Heart SD # 4	12,438.09	91,404.33	-	-	-	85,443.84	18,398.58
New Salem SD # 7	111,205.88	864,763.38	-	-	-	848,922.59	127,046.67
Hebron SD # 13	43,430.62	283,019.57	-	-	-	269,948.64	56,501.55
Sweet Briar SD # 17	7,260.71	47,852.30	-	-	-	47,967.67	7,145.34
Flasher SD # 39	53,295.52	290,914.89	-	-	-	248,642.50	95,567.91
Glen Ullin SD # 48	53,801.44	631,619.27	-	-	-	621,472.44	63,948.27
Total Agency Funds	\$ 5,515,167.45	\$ 28,445,509.63	\$ -	\$ -	\$ -	\$ 26,860,360.78	\$ 7,100,316.30
Total Primary Government	\$ 15,261,040.94	\$ 50,947,573.51	\$ 8,879,866.60	\$ 10,317,998.25	\$ 8,879,866.60	\$ 55,283,646.59	\$ 21,242,966.11

STATE AUDITOR

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MANAGER – DAVID MIX  
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**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, 2015, and the related notes to the financial statements, which collectively comprise Morton County's basic financial statements, and have issued our report thereon dated June 27, 2016. 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.



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
June 27, 2016



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MORTON COUNTY  
Mandan, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015

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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?	<u>    </u> Yes	<u>  X  </u> No
Significant deficiencies identified?	<u>    </u> Yes	<u>  X  </u> No
Noncompliance material to financial statements noted?	<u>    </u> Yes	<u>  X  </u> No

**Section II - Financial Statement Findings**

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No matters were reported

STATE AUDITOR

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BISMARCK, NORTH DAKOTA 58505

Board of County Commissioners  
Morton County  
Mandan, North Dakota

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Morton County, Mandan, North Dakota, for the year ended December 31, 2015 which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2016. We did not audit the financial statements of the Lower Heart Water Resource District, a discretely presented component unit of Morton County, which were audited by other auditors, 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. Professional standards require that we provide you with the following information related to our audit.

**OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS**

As stated in our engagement letter dated January 12, 2016, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

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

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

**SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Morton County are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2015. GASB Statement 68 (Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27), and GASB Statement 71 (Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68) were adopted during the year ended December 31, 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

**CORRECTED AND UNCORRECTED MISSTATEMENTS**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

**DISAGREEMENTS WITH MANAGEMENT**

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

**DISAGREEMENTS WITH MANAGEMENT**

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

**MANAGEMENT REPRESENTATIONS**

We have requested certain representations from management that are included in the management representation letter dated June 27, 2016.

**MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

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

**DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

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

**OTHER AUDIT FINDINGS OR ISSUES**

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

The following presents our informal recommendation:

\* \* \* \* \*

**TIMELY DEPOSITS**

We noted that several checks were deposited with the treasurer in an untimely manner from the Extension office. It was noted the Extension office holds checks for 5-6 months before bringing them to the Treasurer's Office. Untimely deposits of checks may present unnecessary risk to the County. The longer checks are held prior to being deposited, the greater the chance of loss due to bank accounts closing, or individuals moving out of state.

We recommend that checks remitted to the County are deposited in a timely manner with the treasurer's office to decrease the risk of loss and/or possible fraud to the County. With proper deposit procedures in place, the risk of loss due to potential unforeseen circumstances will decrease.

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**MORTON COUNTY**

Management's Letter - Continued

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

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



Robert R. Peterson  
State Auditor

Fargo, North Dakota  
June 27, 2016

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600 East Boulevard Avenue – Department 117  
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