



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

# Lake Region District Health Unit

Devils Lake, North Dakota

Audit Report for the Years Ended December 31, 2019 and 2018

*Client Code: PS36201*



Photo credit: North Dakota Tourism



Office of the  
State Auditor

# LAKE REGION DISTRICT HEALTH UNIT

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For the Years Ended December 31, 2019 and 2018

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# LAKE REGION DISTRICT HEALTH UNIT

Health Unit Officials and Audit Personnel  
December 31, 2019 and 2018

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## December 31, 2019

Mike Steffan	Chairman
Neal Rud	Vice Chairman
Elonda Nord	Secretary/Treasurer
Mike Christenson	Board Member
Doris Griffin	Board Member
Lucas Wakefield	Board Member
Glenda Collier	Board Member
Terry Hoffert	Board Member
Dr. Derek Wayman, MD	Board Member
Allen McKay	Administrator
Sheri Bertsch	Finance Manager

## December 31, 2018

Mike Steffan	Chairman
Neal Rud	Vice Chairman
Elonda Nord	Secretary/Treasurer
Mike Christenson	Board Member
Doris Griffin	Board Member
Lucas Wakefield	Board Member
Glenda Collier	Board Member
Richard Larson	Board Member
Dr. Derek Wayman, MD	Board Member
Allen McKay	Administrator
Sheri Bertsch	Finance Manager

## **AUDITOR PERSONNEL**

Heath Erickson	Audit Manager
Peishan Merrick	In-Charge

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Health Unit Board  
Lake Region District Health Unit  
Devils Lake, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major fund of Lake Region District Health Unit, North Dakota, as of and for the years ended December 31, 2019 and December 31, 2018, and the related notes to the financial statements, which collectively comprise Lake Region District Health Unit's basic financial statements as listed in the table of contents.

### Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the each major fund of Lake Region District Health Unit, North Dakota, as of December 31, 2019 and December 31, 2018, 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 Matter**

As discussed in Note 2 to the financial statements, the 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our September 8, 2020 on our consideration of Lake Region District Health Unit'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 solely 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 the effectiveness of Lake Region District Health Unit's 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 Lake Region District Health Unit's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
September 8, 2020

**LAKE REGION DISTRICT HEALTH UNIT**

Statement of Net Position

December 31, 2019

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	Primary Government
<b>ASSETS</b>	
Cash	\$ 1,679,797
Accounts Receivable	37,196
Intergovernmental Receivable	50,559
Taxes Receivable	16,703
Capital Assets	
Depreciable, Net	<u>28,753</u>
 Total Assets	 <u>\$ 1,813,008</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Derived from Pension and OPEB	<u>\$ 506,171</u>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 21,632
Salaries Payable	17,398
Long-Term Liabilities	
Due Within One Year	
Compensated Absences Payable	8,235
Due After One Year	
Compensated Absences Payable	74,118
Net Pension Liability	<u>1,055,238</u>
 Total Liabilities	 <u>\$ 1,176,621</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Derived from Pension and OPEB	<u>\$ 526,631</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 28,753
Unrestricted	<u>587,174</u>
 Total Net Position	 <u><u>\$ 615,927</u></u>

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



**LAKE REGION DISTRICT HEALTH UNIT**

Balance Sheet – Governmental Funds

December 31, 2019

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 1,679,797
Accounts Receivable	37,196
Intergovernmental Receivable	50,559
Taxes Receivable	<u>16,703</u>
 Total Assets	 <u><u>\$ 1,784,255</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities	
Accounts Payable	\$ 21,632
Salaries Payable	<u>17,398</u>
 Total Liabilities	 <u>\$ 39,030</u>
 Deferred Inflows of Resources	
Taxes Receivable	<u>\$ 16,703</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>\$ 55,733</u>
 Fund Balances	
Unassigned	<u>\$ 1,728,522</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u><u>\$ 1,784,255</u></u>

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



# LAKE REGION DISTRICT HEALTH UNIT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
December 31, 2019

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**Total Fund Balances of Governmental Funds** \$ 1,728,522

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. 28,753

Property taxes receivable 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 inflow of resources in the funds. 16,703

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

Deferred Outflows Related to Pension & OPEB Liability	\$ 506,171	
Deferred Inflows Related to Pension & OPEB Liability	<u>(526,631)</u>	(20,460)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position. Balances are:

Compensated Absences	\$ (82,353)	
Net Pension and OPEB Liability	<u>(1,055,238)</u>	<u>(1,137,591)</u>

Total Net Position of Governmental Activities \$ 615,927

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

**LAKE REGION DISTRICT HEALTH UNIT**

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended December 31, 2019

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	General Fund
<b>REVENUES</b>	
Taxes	\$ 587,465
Intergovernmental	963,916
Charges for Services	639,060
Interest Income	6,007
Miscellaneous	52,135
	<hr/>
Total Revenues	\$ 2,248,583
	<hr/>
<b>EXPENDITURES</b>	
Health and Welfare	\$ 2,080,763
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ 167,820
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Fund Balance - January 1	\$ 1,560,702
	<hr/>
Fund Balance - December 31	\$ 1,728,522
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The notes to the financial statements are an integral part of this statement.

## LAKE REGION DISTRICT HEALTH UNIT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2019

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Net Change in *Fund Balances* - Total Governmental Funds \$ 167,820

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 of depreciation expense in the current year.

Current Year Capital Outlay	\$ (9,496)	
Current Year Depreciation Expense	<u>15,934</u>	6,438

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

Net Change in Compensated Absences		76
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Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable		4,145
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The Net Pension and OPEB Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension and OPEB Liability	\$ 381,078	
Net Change in Deferred Outflows of Resources	(89,147)	
Net Change in Deferred Inflows of Resources	<u>(411,381)</u>	<u>(119,450)</u>

Change in Net Position of Governmental Activities		<u>\$ 59,029</u>
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The notes to the financial statements are an integral part of this statement.

# LAKE REGION DISTRICT HEALTH UNIT

Statement of Net Position

December 31, 2018

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	Primary Government
<b>ASSETS</b>	
Cash	\$ 1,509,626
Accounts Receivable	25,591
Intergovernmental Receivable	55,778
Taxes Receivable	12,558
Capital Assets	
Depreciable, Net	<u>22,315</u>
 Total Assets	 <u>\$ 1,625,868</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Derived from Pension and OPEB	<u>\$ 595,318</u>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 13,001
Salaries Payable	17,292
Long-Term Liabilities	
Due Within One Year	
Compensated Absences Payable	8,243
Due After One Year	
Compensated Absences Payable	74,186
Net Pension Liability	<u>1,436,316</u>
 Total Liabilities	 <u>\$ 1,549,038</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Derived from Pension and OPEB	<u>\$ 115,250</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 22,315
Unrestricted	<u>534,583</u>
 Total Net Position	 <u><u>\$ 556,898</u></u>

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



**LAKE REGION DISTRICT HEALTH UNIT**

Balance Sheet – Governmental Funds

December 31, 2018

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	General Fund
<b>ASSETS</b>	
Cash	\$ 1,509,626
Accounts Receivable	25,591
Intergovernmental Receivable	55,778
Taxes Receivable	<u>12,558</u>
 Total Assets	 <u><u>\$ 1,603,553</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities	
Accounts Payable	\$ 13,001
Salaries Payable	<u>17,292</u>
 Total Liabilities	 <u>\$ 30,293</u>
 Deferred Inflows of Resources	
Taxes Receivable	<u>\$ 12,558</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>\$ 42,851</u>
 Fund Balances	
Unassigned	<u>\$ 1,560,702</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u><u>\$ 1,603,553</u></u>

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

# LAKE REGION DISTRICT HEALTH UNIT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
December 31, 2018

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**Total Fund Balances of Governmental Funds** \$ 1,560,702

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. 22,315

Property taxes receivable 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 inflow of resources in the funds. 12,558

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

Deferred Outflows Related to Pension & OPEB Liability	\$ 595,318	
Deferred Inflows Related to Pension & OPEB Liability	<u>(115,250)</u>	480,068

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position. Balances are:

Compensated Absences	\$ (82,429)	
Net Pension and OPEB Liability	<u>(1,436,316)</u>	<u>(1,518,745)</u>

Total Net Position of Governmental Activities \$ 556,898

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

**LAKE REGION DISTRICT HEALTH UNIT**

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended December 31, 2018

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	General Fund
<b>REVENUES</b>	
Taxes	\$ 510,100
Intergovernmental	914,358
Charges for Services	634,323
Interest Income	3,635
Miscellaneous	<u>44,732</u>
 Total Revenues	 <u>\$ 2,107,148</u>
 <b>EXPENDITURES</b>	
Health and Welfare	<u>\$ 1,966,614</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>\$ 140,534</u>
 Fund Balance - January 1	 <u>\$ 1,420,168</u>
 Fund Balance - December 31	 <u><u>\$ 1,560,702</u></u>

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



## LAKE REGION DISTRICT HEALTH UNIT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2018

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Net Change in *Fund Balances* - Total Governmental Funds \$ 140,534

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 of depreciation expense in the current year.

Current Year Capital Outlay	\$ (1,850)	
Current Year Depreciation Expense	<u>(5,589)</u>	(7,439)

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

Net Change in Compensated Absences		(4,528)
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Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable		830
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The Net Pension and OPEB Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension and OPEB Liability	\$ (143,066)	
Net Change in Deferred Outflows of Resources	4,608	
Net Change in Deferred Inflows of Resources	<u>(25,091)</u>	<u>(163,549)</u>

Change in Net Position of Governmental Activities		<u>\$ (34,152)</u>
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The notes to the financial statements are an integral part of this statement.

# LAKE REGION DISTRICT HEALTH UNIT

Notes to the Financial Statements

For the Years Ended December 31, 2019 and 2018

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## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lake Region District Health Unit ("Health Unit") 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 Health Unit's accounting policies are described below.

### Reporting Entity

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

Based on these criteria, there are no component units to be included within the Lake Region District Health Unit as a reporting entity.

### Basis of Presentation

*Government-wide statements.* The statement of net position and the statement of activities display information about the Health Unit (primary government). 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 Health Unit's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, interest, and non-restricted grants and contributions, are presented as general revenues.

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

The Health Unit reports the following major governmental funds:

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

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

*Government-wide Financial Statements.* The government-wide 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 Health Unit 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.

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**LAKE REGION DISTRICT HEALTH UNIT**  
Notes to the Financial Statements – Continued

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*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 Health Unit 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 Health Unit funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Health Unit’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 Health Unit’s policy to use restricted resources first, then unrestricted resources as they are needed.

**Cash and Investments**

Cash includes amounts in demand deposits and money market accounts.

The investments of the Health Unit during the years ended December 31, 2019 and December 31, 2018 consist of certificates of deposit stated at cost with maturities in excess of three months.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (amounts in years):

Equipment	5-10
Vehicle	5-10

**Compensated Absences**

Vacation leave is earned at the rate of 8 to 16 hours per month depending on years of service, pro-rated for part time employees. Up to 240 hours, pro-rated for part time employees, of vacation leave may be carried over beyond April 30<sup>th</sup> of each year. Upon termination of employment, employees will be paid for vacation benefits that have accrued to a maximum of 240 hours. Sick leave benefits are earned at the rate of 8 hours per month regardless of years of service, pro-rated for part time employees. Upon termination of employment, employees will be paid 10% of their sick leave benefits that have accrued to a maximum of 10% of 1,000 hours. A liability for the vested or accumulated vacation and sick leave is reported in the government-wide statement of net position.

**Long-Term Liabilities**

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

When applicable, in the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, and discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Pension**

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

**Other Post-Employment Benefits (OPEB)**

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

**Fund Balance**

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

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

**Net Position**

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

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

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

**NOTE 2 PRIOR PERIOD ADJUSTMENTS**

Net position of the Health Unit as of January 1, 2018 has been restated for taxes receivables adjustments as shown below. The result of the adjustments increased the beginning net position of the Health Unit.

Beginning Net Position, as previously reported	\$ 579,322
Adjustments to restate the January 1, 2018 Net Position	
Taxes Receivable	11,728
Net Position January 1, 2018, as restated	<u>\$ 591,050</u>

**NOTE 3: DEPOSITS**

**Custodial Credit Risk**

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

**LAKE REGION DISTRICT HEALTH UNIT**  
Notes to the Financial Statements – Continued

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

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

At year ended December 31, 2019, the Health Unit's carrying amount of deposits was \$1,679,797, and the bank balances totaled \$1,770,917. Of the bank balances, \$422,130 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2018, the Health Unit's carrying amount of deposits was \$1,509,626, and the bank balances totaled \$1,563,384. Of the bank balances, \$419,617 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

**NOTE 4: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended December 31, 2019 and 2018:

<b>2019</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>
Capital Assets Being Depreciated				
Equipment	\$ 200,379	\$ 15,934	\$ -	\$ 216,313
Vehicle	17,655	-	-	17,655
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 218,034</b>	<b>\$ 15,934</b>	<b>\$ -</b>	<b>\$ 233,968</b>
Less Accumulated Depreciation				
Equipment	\$ 185,630	\$ 6,974		\$ 192,604
Vehicle	10,089	2,522	-	12,611
<b>Total Accumulated Depreciation</b>	<b>\$ 195,719</b>	<b>\$ 9,496</b>	<b>\$ -</b>	<b>\$ 205,215</b>
<b>Governmental Capital Assets, Net</b>	<b>\$ 22,315</b>	<b>\$ 6,438</b>	<b>\$ -</b>	<b>\$ 28,753</b>

<b>2018</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>
Capital Assets Being Depreciated				
Equipment	\$ 205,968	\$ -	\$ 5,589	\$ 200,379
Vehicle	17,655	-	-	17,655
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 223,623</b>	<b>\$ -</b>	<b>\$ 5,589</b>	<b>\$ 218,034</b>
Less Accumulated Depreciation				
Equipment	\$ 186,303	\$ 4,916	\$ 5,589	\$ 185,630
Vehicle	7,566	2,523	-	10,089
<b>Total Accumulated Depreciation</b>	<b>\$ 193,869</b>	<b>\$ 7,439</b>	<b>\$ 5,589</b>	<b>\$ 195,719</b>
<b>Governmental Capital Assets, Net</b>	<b>\$ 29,754</b>	<b>\$ (7,439)</b>	<b>\$ -</b>	<b>\$ 22,315</b>

Depreciation expense was charged to the health and welfare function.

**NOTE 5: LONG-TERM LIABILITIES**

During the years ended December 31, 2019 and 2018, the following changes occurred in long-term liabilities:

	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
<b>2019</b>					
Compensated Absences *	\$ 82,429	\$ -	\$ 76	\$ 82,353	\$ 8,235
Net Pension and OPEB Liability	1,436,316	-	381,078	1,055,238	-
Total Primary Government	\$ 1,518,745	\$ -	\$ 381,154	\$ 1,137,591	\$ 8,235

	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
<b>2018</b>					
Compensated Absences *	\$ 77,901	\$ 4,528	\$ -	\$ 82,429	\$ 8,243
Net Pension and OPEB Liability	1,293,250	143,066	-	1,436,316	-
Total Primary Government	\$ 1,414,982	\$ 147,594	\$ -	\$ 1,561,845	\$ 8,243

\* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

**NOTE 6: 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 nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**Pension Benefits**

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

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

**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.

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 5% and employer contribution rates are 9.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 5% and employer contribution rates are 10.26% of covered compensation.

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

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

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

At December 31, 2019 and 2018, the Health Unit reported a liability of \$991,878 and \$1,376,026 respectively, for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019 and 2018 respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Health Unit's proportion of the net pension liability was based on the Health Unit'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, 2019 and 2018, the Health Unit had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2017 and 2018 Measurement</b>	<b>Pension Expense</b>
2019	0.084626%	0.003089%	\$ 186,079
2018	0.081537%	0.004648%	225,476

At December 31, 2019 and 2018, the Health Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>2019</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 586	\$ 180,007
Changes in Assumptions	370,639	318,225.00
Net Difference Between Projected and Actual Investment	-	-
Earnings on Pension Plan Investments	17,281	-
Changes in Proportion and Differences Between Employer	-	-
Contributions and Proportionate Share of Contributions	58,562	26,400.00
Contributions - Employer	41,430	-
<b>Total Deferred Outflow and Inflow of Resources</b>	<b>\$ 488,498</b>	<b>\$ 524,632</b>

<b>2018</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 3,643	\$ 46,815
Changes in Assumptions	496,717	19,640.00
Net Difference Between Projected and Actual Investment	-	-
Earnings on Pension Plan Investments	-	6,695.00
Changes in Proportion and Differences Between Employer	-	-
Contributions and Proportionate Share of Contributions	42,542	39,533.00
Contributions - Employer	37,270	-
<b>Total Deferred Outflow and Inflow of Resources</b>	<b>\$ 580,172</b>	<b>\$ 112,683</b>

\$41,430 and \$37,270 reported as deferred outflows of resources related to pensions resulting from Health Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020 and 2019, respectively.



**LAKE REGION DISTRICT HEALTH UNIT**

Notes to the Financial Statements – Continued

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

2020	\$	38,388
2021		14,135
2022		(22,433)
2023		(81,013)
2024		(26,641)

**Actuarial Assumptions**

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	10.00%
	36 – 40	7.50%
	41 – 49	6.75%
	50 – 59	6.50%
	60+	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.50%, net of investment expenses	
Cost-of-living adjustments	None	

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

**Discount rate**

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

**Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate**

The following presents the Health Unit’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Proportionate Share of the Net Pension Liability	\$ 1,422,139	\$ 991,878	\$ 630,383

**Pension Plan Fiduciary Net Position**

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

**NOTE 7: OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

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

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

**LAKE REGION DISTRICT HEALTH UNIT**  
 Notes to the Financial Statements – Continued

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

**OPEB Benefits**

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

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

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

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

At December 31, 2019 and 2018, the Health Unit reported a liability of \$63,360 and \$60,290, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2019 and 2018, the Health Unit had the following proportions, change in proportions, and pension expense:

	<b>Proportion</b>	<b>Increase (Decrease) in Proportion from June 30, 2017 and 2018 Measurement</b>	<b>OPEB Expense</b>
2019	0.07888600%	0.0023340%	\$ 9,185
2018	0.07655200%	0.0039980%	7,832

**LAKE REGION DISTRICT HEALTH UNIT**

Notes to the Financial Statements – Continued

At December 31, 2019 and 2018, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

<b>2019</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,563	\$ 1,979
Changes of Assumptions	7,551	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	71	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	3,309	20
Contributions - Employer	5,179	-
<b>Total Deferred Outflow and Inflow of Resources</b>	<b>\$ 17,673</b>	<b>\$ 1,999</b>

<b>2018</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 1,805	\$ 1,246
Changes of Assumptions	4,947	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	1,297
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	2,427	24
Contributions - Employer	5,967	-
<b>Total Deferred Outflow and Inflow of Resources</b>	<b>\$ 15,146</b>	<b>\$ 2,567</b>

\$5,179 and \$5,967 reported as deferred outflows of resources related to pensions resulting from Health Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020 and 2019, respectively.

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

2020	\$	1,734
2021		1,734
2022		2,324
2023		2,216
2024		1,551
2025		805
2026 and Thereafter		131

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.25%, net of investment expenses
Cost of living adjustments	None

**LAKE REGION DISTRICT HEALTH UNIT**  
Notes to the Financial Statements – Continued

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2019 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
International Equities	21%	6.95%
Domestic Fixed Income	40%	2.07%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Employer’s proportionate share of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate Share of the OPEB Liability	\$ 80,871	\$ 63,360	\$ 48,371

**NOTE 8: RISK MANAGEMENT**

The Health Unit 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. The Health Unit pays an annual premium to NDRIF for its general liability, automobile insurance coverage. The coverage by NDRIF is limited to losses of two million dollar per occurrence for general liability and automobile insurance coverage.

The Health Unit also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Health Unit 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 \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the Health Unit with blanket fidelity bond coverage in the amount of \$693,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Health Unit has worker's 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.

**LAKE REGION DISTRICT HEALTH UNIT**

Budgetary Comparison Schedule - General Fund

December 31, 2019

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	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 587,465	\$ 587,465	\$ 587,465	\$ -
Intergovernmental	668,912	1,100,927	963,916	(137,011)
Charges for Services	478,622	478,622	639,060	160,438
Interest Income	2,600	2,600	6,007	3,407
Miscellaneous	72,583	72,583	52,135	(20,448)
Total Revenues	<u>\$ 1,810,182</u>	<u>\$ 2,242,197</u>	<u>\$ 2,248,583</u>	<u>\$ 6,386</u>
<b>EXPENDITURES</b>				
Health & Welfare	<u>\$ 1,810,182</u>	<u>\$ 2,072,026</u>	<u>\$ 2,080,763</u>	<u>\$ (8,737)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 170,171</u>	<u>\$ 167,820</u>	<u>\$ (2,351)</u>
Fund Balance - January 1	<u>\$ 1,560,702</u>	<u>\$ 1,560,702</u>	<u>1,560,702</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,560,702</u>	<u>\$ 1,730,873</u>	<u>\$ 1,728,522</u>	<u>\$ (2,351)</u>

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

**LAKE REGION DISTRICT HEALTH UNIT**

Budgetary Comparison Schedule - General Fund

December 31, 2018

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	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 510,100	\$ 510,100	\$ 510,100	\$ -
Intergovernmental	617,876	1,047,128	914,358	(132,770)
Charges for Services	494,915	494,915	634,323	139,408
Interest Income	2,100	2,100	3,635	1,535
Miscellaneous	60,673	60,673	44,732	(15,941)
Total Revenues	<u>\$ 1,685,664</u>	<u>\$ 2,114,916</u>	<u>\$ 2,107,148</u>	<u>\$ (7,768)</u>
<b>EXPENDITURES</b>				
Health & Welfare	<u>\$ 1,685,664</u>	<u>\$ 1,960,225</u>	<u>\$ 1,966,614</u>	<u>\$ (6,389)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 154,691</u>	<u>\$ 140,534</u>	<u>\$ (14,157)</u>
Fund Balance - January 1	<u>\$ 1,420,168</u>	<u>\$ 1,420,168</u>	<u>1,420,168</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ 1,420,168</u>	<u>\$ 1,574,859</u>	<u>\$ 1,560,702</u>	<u>\$ (14,157)</u>

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



**LAKE REGION DISTRICT HEALTH UNIT**

Schedule of Employer’s Share of Net Pension and Employer Contributions  
 For the Year Ended December 31, 2019

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.084626%	\$ 991,878	\$ 880,253	112.68%	71.66%
2018	0.081537%	1,376,026	837,643	164.27%	62.80%
2017	0.076889%	1,235,859	784,916	157.45%	61.98%
2016	0.079021%	770,137	796,343	96.71%	70.46%
2015	0.086971%	591,388	774,809	76.33%	77.15%
2014	0.083491%	529,935	703,319	75.35%	77.70%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District’s Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 64,087	\$ (62,444)	\$ 1,643	\$ 880,253	7.09%
2018	61,696	(59,858)	1,838	837,643	7.15%
2017	56,916	(56,792)	124	784,916	7.24%
2016	57,654	(57,255)	399	796,343	7.19%
2015	58,853	(56,207)	2,646	774,809	7.25%
2014	50,076	(50,076)	-	703,319	7.12%

The notes to the required supplementary information are an integral part of this statement.

**LAKE REGION DISTRICT HEALTH UNIT**

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions  
 For the Year Ended December 31, 2019

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

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	District's Covered-Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	0.078886%	\$ 63,360	\$ 880,253	7.20%	63.13%
2018	0.076552%	60,290	837,643	7.20%	61.89%
2017	0.072554%	57,391	784,916	7.31%	59.78%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 10,237	\$ (9,998)	\$ 239	\$ 880,253	1.14%
2018	9,825	(9,584)	241	837,643	1.14%
2017	9,124	(9,092)	32	784,916	1.16%

The notes to the required supplementary information are an integral part of this statement.

## LAKE REGION DISTRICT HEALTH UNIT

Notes to the Required Supplementary Information  
For the Years Ended December 31, 2019 and 2018

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### NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgetary Information

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

### NOTE 2: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

### NOTE 3: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

#### Pension

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

#### OPEB

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

**LAKE REGION DISTRICT HEALTH UNIT**  
Fund Activity – Cash Basis - Continued

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**NOTE 4: PENSION AND OPEB – CHANGES OF ASSUMPTIONS**

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2019 based on the results of an actuarial experience study completed in 2019. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**NOTE 5: LEGAL COMPLIANCE – BUDGETS**

The Health Unit Board amended the revenues and expenditure budget for 2019 and 2018 for the general fund as follows:

	REVENUES		
	Original Budget	Amendment	Amended Budget
2019	\$ 1,810,182	\$ 432,015	\$ 2,242,197
2018	1,685,664	429,252	2,114,916

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
2019	\$ 1,810,182	\$ 261,844	\$ 2,072,026
2018	1,685,664	274,561	1,960,225

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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

Health Unit Board  
Lake Region District Health Unit  
Devils Lake, 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, and the major fund of Lake Region District Health Unit as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Lake Region District Health Unit's basic financial statements, and have issued our report thereon dated September 8, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lake Region District Health Unit'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 Lake Region District Health Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Region District Health Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *schedule of audit findings*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2019-001 and 2019-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying *schedule of audit findings* as item 2019-003 to be a significant deficiency.

**LAKE REGION DISTRICT HEALTH UNIT**

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

**Lake Region District Health Unit's Response to Findings**

Lake Region District Health Unit's response to the findings identified in our audit is described in the accompanying *summary of auditor's results and findings*. Lake Region District Health Unit's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
September 8, 2020

**LAKE REGION DISTRICT HEALTH UNIT**

Summary of Auditor's Results

For the Years Ended December 31, 2019 and 2018

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**Financial Statements**

Type of Report Issued?	
Governmental Activities	Unmodified
Major Fund	Unmodified

**Internal control over financial reporting**

Material weaknesses identified?	<u>  X  </u> Yes	<u>      </u> None Noted
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Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u> Yes	<u>      </u> None Noted
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Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> None Noted
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# LAKE REGION DISTRICT HEALTH UNIT

Schedule of Audit Findings

For the Years Ended December 31, 2019 and 2018

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## 2019-001 – LACK OF SEGREGATION OF DUTIES– MATERIAL WEAKNESS

### Condition

Lake Region District Health Unit currently has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts and disbursement in journals, maintain the general ledger, create credit memos, perform bank reconciliations, and prepare financial statements.

### Criteria

Proper internal control surrounding the custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates there should be sufficient accounting personnel, so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of Lake Region District Health Unit.

### Cause

Management has chosen to allocate its economic resources to other functions of Lake Region District Health Unit.

### Effect

Limited segregation of duties exposes the Lake Region District Health Unit to risk of loss of assets, potential liabilities, and damage to the reputation, whether due to error or fraud.

### Repeat Finding

Yes.

### Recommendation

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.
- Include the board in reviewing bank reconciliations, credit memos, manual adjustments, etc.

### Lake Region District Health Unit's Response

Agree. I agree with that finding. Lake Region District Health Unit has instituted some measures that help mitigate that, such as two signatures on all checks and both a board member and I sign off on all bills and payroll. When funds become available, we will look at adding more staffing in the bookkeeping area.



**2019-002 – FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS**

**Condition**

Lake Region District Health Unit currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

**Criteria**

Management of Lake Region District Health Unit is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with GAAP.

**Cause**

Management chose not to allocate Lake Region District Health Unit resources for preparation of the financial statements.

**Effect**

There is an increased risk of material misstatement to the Lake Region District Health Unit's financial statements.

**Repeat Finding**

No.

**Recommendation**

We recommend Lake Region District Health Unit consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future.

**Lake Region District Health Unit's Response**

Yes, I agree. Although, Lake Region District Health Unit is not large enough to employ our own CPA so we will continue to have the State Auditor's Office prepare and approve our annual financial statements and notes disclosures.

**2019-003 - FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY**

**Condition**

Lake Region District Health Unit does not currently prepare a fraud risk assessment of the entire entity.

**Criteria**

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

**Cause**

The Lake Region District Health Unit may not have considered preparing a fraud risk assessment.

**Effect**

If the Lake Region District Health Unit does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

**Repeat Finding**

No.

**Recommendation**

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

**Lake Region District Health Unit's Response**

Agree. We will perform a fraud risk assessment.

STATE AUDITOR  
Joshua C. Gallion



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## GOVERNANCE COMMUNICATION

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Health Unit Board  
Lake Region District Health Unit  
Devils Lake, North Dakota

We have audited the financial statements of the governmental activities, and the major fund Lake Region District Health Unit, North Dakota, and the respective changes in financial position for the years ended December 31, 2019 and 2018 which collectively comprise Lake Region District Health Unit's basic financial statements, and have issued our report thereon dated September 8, 2020. 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 July 31, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

In planning and performing our audit, we considered Lake Region District Health Unit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the effectiveness of internal control over financial reporting.

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

### **Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lake Region District Health Unit are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended December 31, 2019 and 2018. 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. Management has corrected all such misstatements. The schedules below list all misstatements detected as a result of audit procedures that were corrected by management.

<b>2019 Adjustments</b>	<b>Client Provided Adjustments</b>	
Intergovernmental Receivable	50,559	-
Accounts Receivable	37,196	
Revenue	-	87,755
Expenditures	39,030	-
Accounts Payable	-	21,632
Salaries Payable	-	17,398
<b>2018 Adjustments</b>	<b>Client Provided Adjustments</b>	
Intergovernmental Receivable	55,778	-
Accounts Receivable	25,591	
Revenue	-	81,369
Expenditures	30,293	-
Accounts Payable	-	13,001
Salaries Payable	-	17,292

**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 September 8, 2020.

**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 Health Unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Difficulties Encountered in Performing the Audit**

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

**Other Audit Findings or Issues**

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

This information is intended solely for the use of the Health Unit Board and management of Lake Region District Health Unit, 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 Lake Region District Health Unit 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 Lake Region District Health Unit.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
September 8, 2020



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

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