



Financial Statements
December 31, 2015 and 2014

Upper Missouri District Health Unit

Upper Missouri District Health Unit

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December 31, 2015 and 2014

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Upper Missouri District Health Unit
List of Officials (unaudited)
December 31, 2015 and 2014

Art Schilke	President
Tim Selle	Vice-President
Cami Bren	Treasurer
Joseph Adducci, MD	District Health Officer
Richard Cayko	Board Member
Colleen Reese	Board Member
Martin Hanson	Board Member
Javayne Oyloe	Executive Director
Joe Meyer	Finance Director



Independent Auditor's Report

Board of Health Members
Upper Missouri District Health Unit
Williston, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Upper Missouri District Health Unit, (District) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the health unit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits 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 major fund of Upper Missouri District Health Unit as of December 31, 2015 and 2014, and the respective changes in financial position, for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 1 and 15 to the financial statements, Upper Missouri District Health Unit has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of January 1, 2014. Our opinions are 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 management's discussion and analysis, budgetary comparison information, schedule of employer's share of net pension liability, and schedule of employer's contributions on pages 5 through 11 and 36 through 38 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 the Upper Missouri District Health Unit, Williston, North Dakota's basic financial statements. The list of officials is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2016 on our consideration of the District's internal control over financial reporting and 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 the 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 the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
August 29, 2016

As management of the Upper Missouri District Health Unit, we offer readers of the Upper Missouri District Health Unit's financial statements this narrative overview and analysis of the financial activities of Upper Missouri District Health Unit for the fiscal years ended December 31, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which can be found on pages 12-35 of this report.

Financial Highlights

- The assets and deferred outflows of the Upper Missouri District Health Unit exceeded its liabilities and deferred inflows on December 31, 2015 by \$463,394 and on December 31, 2014 by \$527,480 (net position). Of this amount, \$43,826 and \$85,407, respectively, (restricted for health and welfare) may be used to meet the health unit's ongoing obligations to creditors.
- The health unit's total net position decreased by \$64,086 in 2015 and decreased by \$69,724 in 2014.
- Upper Missouri District Health Unit's governmental funds reported ending fund balances of \$780,585 at December 31, 2015 and \$811,354 at December 31, 2014. This was a decrease of \$30,769 for 2015 and increased \$26,359 for 2014.
- Upper Missouri District Health Unit's total liabilities increased by \$873,960 in 2015 and increased by \$819,847 in 2014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Upper Missouri District Health Unit's basic financial statements. Upper Missouri District Health Unit's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Upper Missouri District Health Unit's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Upper Missouri District Health Unit's assets, deferred outflows, deferred inflows and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Upper Missouri District Health Unit is improving or deteriorating.

The Statement of Activities presents information showing how the Upper Missouri District Health Unit's net position changed during 2015 and 2014. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

The government-wide financial statements include functions of the Upper Missouri District Health Unit that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Upper Missouri District Health Unit include health and welfare.

The government-wide financial statement can be found on pages 12-14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Upper Missouri District Health Unit, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Upper Missouri District Health Unit can be found in one category: governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Upper Missouri District Health Unit adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 19-35 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Upper Missouri District Health Unit, assets and deferred outflows exceeded liabilities and deferred inflows by \$463,394 on December 31, 2015 and at \$527,480 on December 31, 2014.

By far the largest portion of the Upper Missouri District Health Unit's net position is reflected by its cash and investment of 77% on December 31, 2015 and of 62% on December 31, 2014.

The balance of unrestricted net position, \$43,826 on December 31, 2015 and \$85,407 on December 31, 2014, may be used to meet the government's ongoing obligations to creditors.

The government's net position decreased by \$64,086 during 2015 and increased by \$69,724 during 2014.

Upper Missouri District Health Unit
Management's Discussion and Analysis
December 31, 2015 and 2014

Table I
Net Position

	Governmental Activities		
	2015	2014	2013
Assets			
Current and other assets	\$ 2,353,536	\$ 1,504,199	\$ 1,298,916
Capital assets (net of depreciation)	419,568	442,073	447,436
Total assets	<u>\$ 2,773,104</u>	<u>\$ 1,946,272</u>	<u>\$ 1,746,352</u>
Deferred outflows of resources	<u>\$ 100,484</u>	<u>\$ 93,038</u>	<u>\$ -</u>
Liabilities			
Current liabilities	\$ 1,559,037	\$ 637,458	\$ 508,659
Long-term liabilities	692,874	740,493	49,445
Total liabilities	<u>\$ 2,251,911</u>	<u>\$ 1,377,951</u>	<u>\$ 558,104</u>
Deferred inflows of resources	<u>\$ 158,283</u>	<u>\$ 133,879</u>	<u>\$ -</u>
Net position			
Net investment in capital assets	\$ 419,568	\$ 442,073	\$ 447,436
Unrestricted	43,826	85,407	740,812
Total net position	<u>\$ 463,394</u>	<u>\$ 527,480</u>	<u>\$ 1,188,248</u>

Upper Missouri District Health Unit
Management's Discussion and Analysis
December 31, 2015 and 2014

Governmental Activities

Governmental activities decreased net position by \$64,086 in 2015 and increased by \$69,724 in 2014.

Table II
Changes in Net Position

	Governmental Activities		
	2015	2014	2013
Revenues			
Program Revenues			
Charges for services	\$ 417,604	\$ 472,872	\$ 451,394
Operating grants and contributions	1,031,972	807,765	742,293
General Revenues			
Property taxes	507,942	592,688	403,244
General purpose donations	40,401	46,981	52,457
Statewide media campaign	575,263	463,439	277,230
Interest earnings	3,389	1,969	2,007
Miscellaneous revenues	3,309	6,588	2,977
Total revenues	<u>2,579,880</u>	<u>2,392,302</u>	<u>1,931,602</u>
Expenses			
Health and welfare	<u>2,643,966</u>	<u>2,322,578</u>	<u>2,038,310</u>
Total expenses	<u>2,643,966</u>	<u>2,322,578</u>	<u>2,038,310</u>
Change in Net Position	<u>(64,086)</u>	<u>69,724</u>	<u>(106,708)</u>
Net Position - January 1 as restated	<u>527,480</u>	<u>457,756</u>	<u>1,294,956</u>
Net Position - December 31	<u>\$ 463,394</u>	<u>\$ 527,480</u>	<u>\$ 1,188,248</u>

The Statement of Activities shows the cost of function services and the charges for services and grants and contributions offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues for the years ended December 31, 2015 and 2014.

Table III
Total and Net Cost of Services

		Governmental Activities			
		Net (Expense)/		Net (Expense)/	
	Total Cost For	Revenue For	Total Cost For	Revenue For	Total Cost For
	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	12-31-15	12-31-15	12-31-14	12-31-14	12-31-13
Health and welfare	\$ 2,643,966	\$ (1,194,390)	\$ 2,322,578	\$ (1,041,941)	\$ 2,038,310
					\$ (844,623)

Financial Analysis of the Government's Funds

As noted earlier, the Upper Missouri District Health Unit uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Upper Missouri District Health Unit's governmental funds is to provide information in near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Upper Missouri District Health Unit's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Upper Missouri District Health Unit's governmental fund reported an ending fund balance of \$780,585 on December 31, 2015 and \$811,354 on December 31, 2014, a decrease of \$30,769 in 2015 and an increase of \$26,359 in 2014.

General Fund Budgetary Highlights

The Health Unit amended its budgets for 2015 and 2014. In 2015 revenues were increased by \$773,813 from \$2,461,233 to \$3,235,046 and expenditures were increased by \$109,058 from \$2,543,063 to \$2,652,121. For 2014 revenues were increased by \$262,185 from \$2,191,564 to \$2,453,749 and expenditures were decreased by \$37,374 from \$2,353,193 to \$2,315,819. These amendments reflect new programs being added and existing programs expiring.

Capital Asset and Debt Administration

Capital Assets

Upper Missouri District Health Unit's investment in capital assets for its governmental activities was \$419,568 on December 31, 2015 and \$442,073 on December 31, 2014 (net of accumulated depreciation). This investment in capital assets includes land, building, and equipment.

Table IV
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		
	2015	2014	2013
Land	\$ 51,380	\$ 51,380	\$ 51,380
Building	351,224	370,558	389,893
Equipment	16,964	20,135	6,163
Total capital assets	<u>\$ 419,568</u>	<u>\$ 442,073</u>	<u>\$ 447,436</u>

Additional information on the Upper Missouri District Health Unit's capital assets can be found in Note 8 on pages 26-27 of this report.

Long-Term Debt

Upper Missouri District Health Unit had no outstanding debt as of December 31, 2015 and December 31, 2014.

Economic Factors

Upper Missouri District Health Unit is comprised of four counties, Divide, McKenzie, Mountrail and Williams, located in northwest North Dakota. The diversified economy includes agriculture, oil and gas industries, and Williston State College. The agricultural industries remain strong. The Oil and Gas industry is growing rapidly in all 4 counties with mining development, increasing employment and housing development.

The taxable valuation of Divide Co. increased from \$23,849,993 in 2013 to \$31,560,022 in 2014 to \$39,464,234 in 2015.

The taxable valuation of McKenzie Co. increased from \$81,996,121 in 2013 to \$105,098,558 in 2014 to \$145,712,078 in 2015.

The taxable valuation of Mountrail Co. increased from \$73,666,562 in 2013 to \$100,266,554 in 2014 to \$118,527,055 in 2015.

The taxable valuation of Williams Co. increased from \$192,746,110 in 2013 to \$274,075,454 in 2014 to \$344,985,912 in 2015.

Requests for Information

This financial report is designed to provide a general overview of the Upper Missouri District Health Unit's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Upper Missouri District Health Unit Board of Health, 110 W Broadway, Suite 101, Williston, ND 58801.

Upper Missouri District Health Unit
Statements of Net Position
December 31, 2015 and 2014

	Primary Government Governmental Activities	
	2015	2014
Assets		
Cash and investments	\$ 2,203,202	\$ 1,266,596
Accounts receivable (net of allowance of \$8,294 for 2015 and \$3,372 for 2014)	39,830	24,948
Taxes receivable	13,914	55,387
Intergovernmental receivable	57,199	90,019
Due from county treasurer	1,937	42,504
Inventory	37,253	24,044
Other assets	201	701
Total current assets	<u>2,353,536</u>	<u>1,504,199</u>
Capital assets (net of accumulated depreciation)		
Land	51,380	51,380
Buildings	351,224	370,558
Furniture and equipment	16,964	20,135
Total capital assets	<u>419,568</u>	<u>442,073</u>
Total assets	2,773,104	1,946,272
Deferred outflows of resources		
Derived from pensions	<u>100,484</u>	<u>93,038</u>
Total assets and deferred outflows of resources	<u>\$ 2,873,588</u>	<u>\$ 2,039,310</u>
Liabilities		
Accounts payable	\$ 331,891	\$ 41,678
Salaries and benefits payable	137,074	119,401
Unearned revenue	1,090,072	476,379
Due after one year		
Net pension liability	637,340	685,841
Compensated absences payable	<u>55,534</u>	<u>54,652</u>
Total liabilities	2,251,911	1,377,951
Deferred inflows of resources		
Derived from pensions	<u>158,283</u>	<u>133,879</u>
Total liabilities and deferred inflows of resources	<u>2,410,194</u>	<u>1,511,830</u>
Net position		
Net investment in capital assets	419,568	442,073
Restricted for health and welfare	43,826	85,407
Total net position	<u>463,394</u>	<u>527,480</u>
Total net position and liabilities	<u>\$ 2,873,588</u>	<u>\$ 2,039,310</u>

See Notes to Financial Statements

Upper Missouri District Health Unit

Statement of Activities

Years Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Primary Government Governmental Activities
Governmental activities				
Health and welfare	\$ 2,643,966	\$ 417,604	\$ 1,031,972	\$ (1,194,390)
Total governmental activities	<u>\$ 2,643,966</u>	<u>\$ 417,604</u>	<u>\$ 1,031,972</u>	<u>(1,194,390)</u>
General revenues				
Property taxes; levied for general purposes				507,942
Earnings on investments				3,389
General purpose donations				40,401
Statewide media campaign				575,263
Miscellaneous revenue				3,309
Total general revenues				<u>1,130,304</u>
Change in net position				<u>(64,086)</u>
Net position - January 1				<u>527,480</u>
Net position - December 31				<u>\$ 463,394</u>

Upper Missouri District Health Unit
Statement of Activities
Years Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Governmental activities				
Health and welfare	\$ 2,322,578	\$ 472,872	\$ 807,765	\$ (1,041,941)
Total governmental activities	<u>\$ 2,322,578</u>	<u>\$ 472,872</u>	<u>\$ 807,765</u>	<u>(1,041,941)</u>
General revenues				
Property taxes; levied for general purposes				592,688
Earnings on investments				1,969
General purpose donations				46,981
Statewide media campaign				463,439
Miscellaneous revenue				6,588
Total general revenues				<u>1,111,665</u>
Change in net position				<u>69,724</u>
Net position - January 1 as restated (Note 15)				<u>457,756</u>
Net position - December 31				<u>\$ 527,480</u>

Upper Missouri District Health Unit
Balance Sheets – Governmental Funds
December 31, 2015 and 2014

	General Fund	
	2015	2014
Assets		
Cash	\$ 2,203,202	\$ 1,266,596
Accounts receivable (net of allowance of \$8,294 for 2015 and \$3,372 for 2014)	39,830	24,948
Taxes receivable	1,937	42,504
Intergovernmental receivable	57,199	90,019
Inventory	37,253	24,044
Other assets	201	701
Total assets	\$ 2,339,622	\$ 1,448,812
Liabilities and fund balances		
Liabilities		
Accounts payable	\$ 331,891	\$ 41,678
Salaries and benefits payable	137,074	119,401
Deferred revenue	1,090,072	476,379
Total liabilities	1,559,037	637,458
Fund balances		
Nonspendable		
Inventory	37,253	24,044
Restricted		
Family planning	26,441	16,085
Unassigned	716,891	771,225
Total fund balance	780,585	811,354
Total liabilities and fund balances	\$ 2,339,622	\$ 1,448,812

Upper Missouri District Health Unit
Reconciliation of Governmental Funds Balance Sheets to the Statements of Net Position
December 31, 2015 and 2014

	2015	2014
Total fund balances for governmental funds	\$ 780,585	\$ 811,354
Total net assets 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		
Land	51,380	51,380
Buildings, equipment, and other depreciable assets	602,255	602,255
Less accumulated depreciation	(234,067)	(211,562)
Net capital assets	<u>419,568</u>	<u>442,073</u>
Property taxes 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	13,914	55,387
Long-term liabilities applicable to the Health Unit'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 at December 31, 2015 and 2014 are:		
Compensated absences	(55,534)	(54,652)
Net pension liability	(637,340)	(685,841)
Total long-term liabilities	<u>(692,874)</u>	<u>(740,493)</u>
Deferred outflows of resources and deferred inflows of resources are related to the net pension liability and are not due in the current period and therefore, are not reported in the funds		
Deferred outflows of resources - deferred from pensions	100,484	93,038
Deferred inflows of resources - deferred from pensions	(158,283)	(133,879)
Total deferred outflows and inflows of resources	<u>(57,799)</u>	<u>(40,841)</u>
Total net position of governmental activities	<u>\$ 463,394</u>	<u>\$ 527,480</u>

Upper Missouri District Health Unit
Statements of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
Years Ended December 31, 2015 and 2014

	General Fund	
	2015	2014
Revenues		
Taxes	\$ 549,415	\$ 542,563
Intergovernmental revenues	1,031,972	807,765
Donations	40,401	46,981
Charges for services	417,604	472,872
Interest income	3,389	1,969
Statewide media campaign	575,263	463,439
Miscellaneous revenue	3,309	6,588
Total revenues	<u>2,621,353</u>	<u>2,342,177</u>
Expenditures		
Current		
Health and welfare		
Salaries and benefits	1,591,839	1,504,964
Travel	42,382	41,280
Contracted services	219,785	73,494
Operating expenses	184,872	155,362
Statewide media campaign	541,657	449,708
Utilities	13,503	12,449
Repairs and maintenance	20,406	25,740
Equipment	951	-
Other	36,727	37,821
Capital outlay	-	15,000
Total expenditures	<u>2,652,122</u>	<u>2,315,818</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(30,769)</u>	<u>26,359</u>
Fund Balance - January 1	<u>811,354</u>	<u>784,995</u>
Fund Balance - December 31	<u>\$ 780,585</u>	<u>\$ 811,354</u>

Upper Missouri District Health Unit

Reconciliation of Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances to
the Statements of Activities
Years Ended December 31, 2015 and 2014

	2015	2014
Net change in fund balances - total governmental funds	\$ (30,769)	\$ 26,359
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 depreciation exceeded capital outlays in 2014 and 2015:		
Current year capital outlay	-	15,000
Current year depreciation expense	(22,505)	(20,362)
	<u>(22,505)</u>	<u>(5,362)</u>
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 (increase) in compensated absences	(882)	(5,207)
Net decrease in pension expense relating to the net pension liability, deferred inflows of resources, and deferred outflows of resources	31,543	3,809
	<u>30,661</u>	<u>(1,398)</u>
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.		
(Increase)/decrease in taxes receivable	(41,473)	50,125
Change in net position of governmental activities	<u>\$ (64,086)</u>	<u>\$ 69,724</u>

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Activity

The financial statements of the Upper Missouri District Health Unit have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principals. The health unit implemented the new reporting model standards beginning January 1, 2004. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

The accompanying financial statements present the activities of the Upper Missouri District 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 are 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 Upper Missouri District 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 Upper Missouri District Health Unit.

Based on these criteria, there are no component units to be included within the Upper Missouri 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 primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, charges for services, and other nonexchange 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, are presented as general revenues.

Fund Balance Classification Policies and Procedures

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the health unit classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Finance Director.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The health unit uses *restricted* /*committed* amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the health unit would first use *committed*, then *assigned*, and lastly *unassigned amounts* of unrestricted fund balance when expenditures are made.

Fund financial statements – The fund financial statements provide information about the health unit's fund. A separate statement for the fund category – governmental is presented. The emphasis of fund financial statements is on major governmental funds.

The health unit reports the following major governmental fund:

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 – 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. Nonexchange 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.

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 position available to finance the program. It is the health unit's policy to first apply cost-reimbursement grant resources to such programs, and then 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 deposit accounts. Deposits must either be deposited with the Bank of North Dakota or in another 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 or securities equal to 110% of the uninsured balance.

State statutes authorize the health board to invest in:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an Act of Congress.
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
3. Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.
4. Obligations of the state.

The investments of the health unit during the years ended December 31, 2015 and 2014 consist of certificates of deposit stated at cost in the amount of \$2,201,917 and \$1,265,812, respectively, and a repurchase agreement stated at fair value.

Capital Assets

Capital assets include land, building, furniture and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the health unit as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings	30 years
Furniture and equipment	7-10 years

Compensated Absences

Full-time employees are entitled to annual vacation and medical leave benefits. Vacation benefits are earned from eight to sixteen hours per month depending on tenure with the health unit. Employees are allowed to carry over 240 hours into a new calendar year. Upon termination of employment, employees will be paid for vacation benefits that have accrued. Medical leave benefits are earned at a rate of eight hours per month. Upon retirement an employee may be eligible for a payment of one-tenth of the accumulated medical leave balance providing the individual was employed with the health unit for 10 consecutive years.

Pensions

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 Employee Retirement System (NDPERS) and additions to/deductions from NDPERS's 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.

Implementation of GASB Statement No. 68 and GASB Statement No. 71

As of December 31, 2014, the Upper Missouri District Health Unit adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 15 and the additional disclosures required by these standards are in Note 13.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Upper Missouri District Health Unit has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the statement of net position.

Upper Missouri District Health Unit

Notes to Financial Statements

December 31, 2015 and 2014

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Upper Missouri District Health Unit has one item that qualifies for reporting in this category, which is changes in the net pension liability not included in pension expense reported in the statement of net position.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The District has evaluated subsequent events through August 29, 2016, the date which the financial statements were available to be issued.

Note 2 - Legal Compliance - Budgets

Budget Amendments

The Board of Health approved the following amendments to the budget for the years ended December 31, 2015 and 2014:

For the year ended December 31, 2015:

<u>Fund</u>	Revenues		
	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
General	<u>\$ 2,461,233</u>	<u>\$ 773,813</u>	<u>\$ 3,235,046</u>
<u>Fund</u>	Expenditures		
	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
General	<u>\$ 2,543,063</u>	<u>\$ 109,059</u>	<u>\$ 2,652,122</u>

Upper Missouri District Health Unit
Notes to Financial Statements
December 31, 2015 and 2014

For the year ended December 31, 2014:

<u>Fund</u>	Revenues		
	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
General	<u>\$ 2,191,564</u>	<u>\$ 262,185</u>	<u>\$ 2,453,749</u>
<u>Fund</u>	Expenditures		
	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
General	<u>\$ 2,353,193</u>	<u>\$ (37,375)</u>	<u>\$ 2,315,818</u>

Note 3 - Deposits

At December 31, 2015 and 2014, the deposits of the health unit were entirely covered by federal depository insurance or by collateral held by the health unit's agent in the health unit's name. For the purpose of risk analysis, certificates of deposit are classified as deposits. The carrying amount of deposits was \$2,203,202 and \$1,266,596 and the bank balance was \$2,204,699 and \$1,266,026 for the years ended 2015 and 2014, respectively. Additional information regarding deposits and investments is included in Note 1.

Statutes require the market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. During the years ended December 31, 2015 and 2014, health unit deposits were adequately protected by insurance or collateral at year-end.

Interest Rate Risk

The health unit does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from changing interest rates. All investments are certificates of deposit that mature within 1 year.

Concentration of Credit Risk

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

Note 4 - Accounts Receivable

Accounts receivable consist of amounts billed to individuals or other entities for services provided.

Note 5 - Taxes Receivable

The taxes receivable represents the past four years of uncollected current and delinquent 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 tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and 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 on property taxes 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. However, most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

Note 6 - Due from County Treasurer

The amount due from county treasurer consists of the cash on hand for taxes collected but not remitted to the health unit as of December 31. County treasurers include the counties of Divide, McKenzie, Mountrail and Williams.

Note 7 - Intergovernmental Receivables

Intergovernmental receivables consist of reimbursements to the health unit for expenses in the operation of various programs. These amounts consist of a mix of state and federal dollars.

Note 8 - Capital Assets

The following is a summary of changes in capital assets for the years ended December 31, 2015 and 2014:

Primary Government

For the year ended December 31, 2015:

<u>Governmental Activities</u>	Balance 12/31/14	Increases	Decreases	Balance 12/31/15
Capital assets not being depreciated				
Land	\$ 51,380	\$ -	\$ -	\$ 51,380
Capital assets, being depreciated				
Buildings	580,063	-	-	580,063
Furniture and equipment	22,192	-	-	22,192
Total capital assets, being depreciated	602,255	-	-	602,255
Less accumulated depreciation for				
Buildings	209,505	19,334	-	228,839
Furniture and equipment	2,057	3,171	-	5,228
Total accumulated depreciation	211,562	22,505	-	234,067
Total capital assets, being depreciated, net	390,693	(22,505)	-	368,188
Governmental activities-capital assets, net	\$ 442,073	\$ (22,505)	\$ -	\$ 419,568

For the year ended December 31, 2014:

<u>Governmental Activities</u>	Balance 12/31/13	Increases	Decreases	Balance 12/31/14
Capital assets not being depreciated				
Land	\$ 51,380	\$ -	\$ -	\$ 51,380
Capital assets, being depreciated				
Buildings	580,063	-	-	580,063
Furniture and equipment	7,192	15,000	-	22,192
Total capital assets, being depreciated	587,255	15,000	-	602,255
Less accumulated depreciation for				
Buildings	190,170	19,335	-	209,505
Furniture and equipment	1,029	1,028	-	2,057
Total accumulated depreciation	191,199	20,363	-	211,562
Total capital assets, being depreciated, net	396,056	(5,363)	-	390,693
Governmental activities-capital assets, net	\$ 447,436	\$ (5,363)	\$ -	\$ 442,073

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

	2015	2014
Governmental activities		
Health and welfare	\$ 22,505	\$ 20,363

Note 9 - Salaries and Benefits Payable

Salaries and benefits payable consist of December's payroll that is paid in January of the following year.

Note 10 - Accounts Payable

Accounts payable consists of amount on open account for goods and services received prior to December 31, 2015 and 2014 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

Note 11 - Long-Term Liabilities

Changes in Long-Term Liabilities

During the years ended December 31, 2015 and 2014, the following changes occurred in liabilities reported in the long-term debt account group:

2015					
	Balance January 1	Additions	Reduction	Balance December 31	Due Within One Year
Compensated absences	\$ 54,652	\$ 10,206	\$ 9,324	\$ 55,534	\$ -
Net pension liability	685,841	-	48,501	637,340	-
Total	<u>\$ 740,493</u>	<u>\$ 10,206</u>	<u>\$ 57,825</u>	<u>\$ 692,874</u>	<u>\$ -</u>
2014					
	Balance January 1	Additions	Reduction	Balance December 31	Due Within One Year
Compensated absences	\$ 49,445	\$ 11,104	\$ 5,897	\$ 54,652	\$ -
Net pension liability	793,239	-	107,398	685,841	-
Total	<u>\$ 842,684</u>	<u>\$ 11,104</u>	<u>\$ 113,295</u>	<u>\$ 740,493</u>	<u>\$ -</u>

Note 12 - Risk Management

Upper Missouri District Health Unit is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the mid-1980s, the health unit was not able to obtain general liability insurance at a cost it considered to be economically justifiable. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The health unit pays an annual premium to NDIRF for its general insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence for general liability. The health unit does not have coverage for inland marine.

The State Bonding Fund provides the Upper Missouri District Health Unit with blanket fidelity bond coverage in the amount of \$630,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. Upper Missouri District Health Unit continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee health and accident insurance and employee professional liability insurance.

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

Note 13 - Pension Plan

North Dakota Public Employees' Retirement 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. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

Refunds of Member Account Balance

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

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 7% and employer contribution rates are 7.12% 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, 2015 and 2014, the Employer reported a liability of \$637,340 and \$685,841, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2015, the Employer's proportion was 0.093729 percent, which was a decrease of 0.014325 percent from its proportion measured as of July 1, 2014.

Upper Missouri District Health Unit
Notes to Financial Statements
December 31, 2015 and 2014

For the years ended December 31, 2015 and 2014, the Employer recognized pension expense of \$44,005 and \$67,861, respectively, for its proportionate share of PERS's pension expense. At December 31, 2015 and 2014, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 18,490	\$ -
Changes of assumptions	-	(56,784)
Net difference between projected and actual earnings on pension plan investments	-	(13,454)
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,634	(88,045)
Employer contributions subsequent to the measurement date	<u>77,360</u>	<u>-</u>
Total	<u>\$ 100,484</u>	<u>\$ (158,283)</u>
	2014	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 22,236	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(133,879)
Employer contributions subsequent to the measurement date	<u>70,802</u>	<u>-</u>
Total	<u>\$ 93,038</u>	<u>\$ (133,879)</u>

\$77,360 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, 2016.

Upper Missouri District Health Unit

Notes to Financial Statements

December 31, 2015 and 2014

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

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2016	\$ (34,006)
2017	(34,006)
2018	(34,006)
2019	(6,205)
2020	(26,919)
Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

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

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

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

Upper Missouri District Health Unit

Notes to Financial Statements

December 31, 2015 and 2014

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$ 977,331	\$ 637,340	\$ 359,168

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At December 31, 2015 and 2014, Upper Missouri District Health Unit had a payable to the pension plan of \$28,761 and \$28,827, respectively, for insurances, deferred compensation, and legally required contributions to the pension plan not made by fiscal year end.

Note 14 - Joint Powers Agreement

As of August 28, 2003, the Upper Missouri District Health Unit entered into a Joint Powers Agreement with Williams County to provide a new facility to house the health unit and the Williams County Social Service Office.

Under the agreement, the health unit and the county will share the cost of the land, building, renovation costs, and all future expenses. The allocation of the costs is based on the initial allocation of space utilized by each entity. The Upper Missouri District Health Unit is responsible for 35% of the space and the Williams County Social Service Office is responsible for the remaining 65%. Ownership of the facility is also allocated according to this rate.

Note 15 - Restatement of Beginning Net Position

As of January 1, 2014, Upper Missouri District Health Unit adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date.

The adjustment to the beginning balance of net position is as follows:

	<u>Governmental Activities</u>
Net position - December 31, 2013, as previously reported	\$ 1,188,248
Net pension liability at December 31, 2013	(793,239)
Deferred outflows of resources related to contributions made after the measurement date	<u>62,747</u>
Net position - January 1, 2014, as restated	<u><u>\$ 457,756</u></u>



Required Supplementary Information
December 31, 2015 and 2014

Upper Missouri District Health Unit

Upper Missouri District Health Unit
Budgetary Comparison Schedule – General Fund
Years Ended December 31, 2015 and 2014

	2015				2014			
	Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues								
Taxes	\$ 541,036	\$ 549,415	\$ 549,415	\$ -	\$ 538,413	\$ 542,563	\$ 542,563	\$ -
Intergovernmental	989,252	1,031,972	1,031,972	-	737,132	930,046	807,765	122,281
Donations	51,027	40,401	40,401	-	42,355	46,981	46,981	-
Charges for services	424,561	580,549	417,604	162,945	426,340	472,872	472,872	-
Interest income	2,000	3,389	3,389	-	2,054	1,969	1,969	-
Statewide Media Campaign	450,740	1,026,011	575,263	450,748	441,960	452,730	463,439	(10,709)
Miscellaneous	2,617	3,309	3,309	-	3,310	6,588	6,588	-
Total revenues	<u>2,461,233</u>	<u>3,235,046</u>	<u>2,621,353</u>	<u>613,693</u>	<u>2,191,564</u>	<u>2,453,749</u>	<u>2,342,177</u>	<u>111,572</u>
Expenditures								
Current								
Health and welfare								
Salaries and benefits	1,580,061	1,591,839	1,591,839	-	1,608,731	1,504,964	1,504,964	-
Travel	53,678	42,382	42,382	-	51,159	41,280	41,280	-
Contracted services	249,823	219,785	219,785	-	29,071	73,494	73,494	-
Operating expenses	154,579	184,872	184,872	-	146,104	155,362	155,362	-
Statewide Media Campaign	434,137	541,657	541,657	-	431,740	449,708	449,708	-
Utilities	15,000	13,503	13,503	-	12,000	12,449	12,449	-
Repairs and maintenance	24,000	20,406	20,406	-	24,500	25,740	25,740	-
Equipment	-	951	951	-	15,000	-	-	-
Other	31,785	36,727	36,727	-	34,888	37,821	37,821	-
Capital outlay	-	-	-	-	-	15,000	15,000	-
Total expenditures	<u>2,543,063</u>	<u>2,652,122</u>	<u>2,652,122</u>	<u>-</u>	<u>2,353,193</u>	<u>2,315,818</u>	<u>2,315,818</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(81,830)</u>	<u>582,924</u>	<u>(30,769)</u>	<u>613,693</u>	<u>(161,629)</u>	<u>137,931</u>	<u>26,359</u>	<u>111,572</u>
Fund Balance - January 1	<u>811,354</u>	<u>811,354</u>	<u>811,354</u>	<u>-</u>	<u>784,995</u>	<u>784,995</u>	<u>784,995</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 729,524</u>	<u>\$ 1,394,278</u>	<u>\$ 780,585</u>	<u>\$ 613,693</u>	<u>\$ 623,366</u>	<u>\$ 922,926</u>	<u>\$ 811,354</u>	<u>\$ 111,572</u>

Upper Missouri District Health Unit
Schedules of Employer Pension Liability and Contributions
December 31, 2015 and 2014

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

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Employer's Proportion (Percentage) of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)</u>	<u>Employer's Covered-Employee Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
NDPERS	6/30/2015	0.093729%	\$ 637,340	\$ 835,013	76.33%	77.15%
NDPERS	6/30/2014	0.108054%	685,841	910,227	75.35%	77.70%

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

<u>Pension Plan</u>	<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Employer's Covered-Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered-Employee Payroll (a/d)</u>
NDPERS	12/31/2015	\$ 72,050	\$ (72,050)	\$ -	\$ 1,011,939	7.12%
NDPERS	12/31/2014	68,858	(68,858)	-	967,113	7.12%

Note 1 - Budgets

The health unit adopts a budget on the modified accrual basis for the general fund. The health unit is required to present the adopted and final amended budgeted receipts and disbursements for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The health unit prepares a budget on or before October 1st. The budget includes proposed expenditures and a means of financing them.
- The final budget must be filed with the county auditor by October 10th.
- No disbursements shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any receipts and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.
- The health unit amended the budget to reflect new programs being added and existing programs expiring.

Note 2 - Schedule of Employer Pension Liability and Contributions

GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, Upper Missouri District Health Unit will present information for those years for which information is available.

Note 3 - Changes of Assumptions

Amounts reported 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.



**Independent Auditor's 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***

Board of Health Members
Upper Missouri District Health Unit
Williston, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Upper Missouri District Health Unit, North Dakota, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 29, 2016.

Internal Control over Financial Reporting

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

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

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 deficiencies 2015-1, 2014-1, and 2014-2 described in the accompanying schedule of findings 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upper Missouri 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, 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*.

Response to Findings

Upper Missouri District Health Unit's responses to the findings identified in our audits is described in the accompanying schedule of findings. Upper Missouri District Health Unit's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Bismarck, North Dakota
August 29, 2016

Material Weakness

2015-1 Preparation of Financial Statements

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statement being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements and to prepare the GASB 68 adjustments and footnote disclosures. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Criteria: Proper controls over financial reporting include the ability to prepare financial statement and accompanying notes to the financial statements that are materially correct.

Cause: The health unit does not have staff trained in GASB reporting standards.

Effect: Inadequate control over financial reporting of UMDHU results in the more than remote likelihood that they would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendations: While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of UMDHU and changes in reporting requirements.

Response: Since it is not cost-effective for an organization of our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit financial statements as part of their annual audit of Upper Missouri District Health Unit.

Material Weaknesses

2014-1 Preparation of Financial Statements

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statement being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements and to prepare the GASB 68 adjustments and footnote disclosures. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Criteria: Proper controls over financial reporting include the ability to prepare financial statement and accompanying notes to the financial statements that are materially correct.

Cause: The health unit does not have staff trained in GASB reporting standards.

Effect: Inadequate control over financial reporting of UMDHU results in the more than remote likelihood that they would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendations: While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of UMDHU and changes in reporting requirements.

Response: Since it is not cost-effective for an organization of our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit financial statements as part of their annual audit of Upper Missouri District Health Unit.

2014-2 Recording of Transactions

Condition: We identified misstatements in the health unit's financial statements causing us to propose material audit adjustments.

Criteria: A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Cause: The health unit has not trained staff in the recording of certain transactions.

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

Recommendations: We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted.

Response: The health unit has received training in the recording of these transactions.