

**FIRST DISTRICT HEALTH UNIT  
MINOT, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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**FIRST DISTRICT HEALTH UNIT**  
**SCHEDULE OF DISTRICT BOARD OF HEALTH OFFICERS**  
**DECEMBER 31, 2017**

Mae Streich	Bottineau
Teri J. Brewster	Burke
Nikki Medalen	McHenry
Ron Krebsbach	McLean
Robert Marmon	Renville
Walter M. Lipp	Sheridan
Bob Wetzler	Ward
Shelly Weppler	Ward
Dr. Dawn Mattern	Ward
Dr. C. Nwaigwe	Ward
Marvin Wierenga	Ward

Executive Officer - Lisa Clute

## **INDEPENDENT AUDITOR'S REPORT**

To the District Board of Health  
First District Health Unit  
Minot, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of First District Health Unit, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise First District 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 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 major fund of First District Health Unit as of December 31, 2017, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedule of Employer's Share of Net Pension Liability, Schedule of 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 requires 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 Government 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 the missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise First District Health Unit's basic financial statements. The Schedule of Salaries and Wages is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and related notes are presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are also not required part of the basic financial statements.

The Schedule of Salaries and Wages, Schedule of Expenditures of Federal Awards, and Notes to the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of District Board of Health Officers 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 July 31, 2018 on our consideration of First District Health Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 First 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 First District Health Unit's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P. C.  
BISMARCK, NORTH DAKOTA**

July 31, 2018

**FIRST DISTRICT HEALTH UNIT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 3,252,573
Accounts receivable	217,345
Inventories	326,048
Total current assets	<u>3,795,966</u>

Capital assets, net of accumulated depreciation	<u>1,600,148</u>
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Total assets	<u>5,396,114</u>
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**DEFERRED OUTFLOW OF RESOURCES**

Deferred outflow - pension	<u>1,707,472</u>
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**LIABILITIES**

Current liabilities:

Accounts payable	22,711
Accrued liabilities	98,206
Accrued compensated absences - due within one year	119,130
Unearned revenue	24,000
Total current liabilities	<u>264,047</u>

Non-current liabilities:

Accrued compensated absences - due in more than one year	50,461
Net pension liability	3,612,776
Total non-current liabilities	<u>3,663,237</u>

Total liabilities	<u>3,927,284</u>
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**DEFERRED INFLOW OF RESOURCES**

Deferred inflow - pension	<u>145,072</u>
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**NET POSITION**

Net investment in capital assets	1,600,148
Unrestricted	<u>1,431,082</u>
Total net position	<u><u>\$ 3,031,230</u></u>

See Notes to the Financial Statements



**FIRST DISTRICT HEALTH UNIT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Accreditation	\$ 21,338	\$ -	\$ -	\$ (21,338)
Adult health promotion	415,619	99,094	2,635	(313,890)
Children and youth	31,811	315	-	(31,496)
Environmental responses	776,720	371,375	4,000	(401,345)
Emergency preparedness and response	240,785	-	229,060	(11,725)
Family planning	354,706	99,098	92,757	(162,851)
FDA	4,960	-	-	(4,960)
High priority infant	77,946	-	11,794	(66,152)
Health tracks	156,498	72,331	-	(84,167)
Immunizations	1,541,737	799,688	297,241	(444,808)
Injury prevention	98,933	1,541	-	(97,392)
Jail health	7,160	-	9,105	1,945
Maternal and infant	61,865	561	10,568	(50,736)
Opioid	3,797	90,000	-	86,203
Ryan White	45,305	-	49,409	4,104
School health	339,411	172,131	779	(166,501)
Sexually transmitted diseases	9,677	-	13,074	3,397
Strategic prevention framework	32,072	-	-	(32,072)
Tobacco	383,042	-	329,891	(53,151)
Tobacco - Baby and me	14,848	-	2,049	(12,799)
Tobacco - Special initiative	-	-	1,000	1,000
Women, infants and children	633,024	-	432,445	(200,579)
Tuberculosis	16,421	6,053	2,238	(8,130)
Miscellaneous	55,050	-	3,552	(51,498)
Unallocable depreciation	77,817	-	-	(77,817)
Total governmental activities	<u>\$ 5,400,542</u>	<u>\$ 1,712,187</u>	<u>\$ 1,491,597</u>	<u>(2,196,758)</u>

General Revenues

State aid not restricted	368,746
Energy impact grant	88,130
Local aid not restricted	
Payment from City of Minot	336,589
Payment from the counties	1,301,900
Miscellaneous income	51,052
Total general revenue	<u>2,146,417</u>
Change in net position	(50,341)
Net position - beginning of year	<u>3,081,571</u>
Net position - end of year	<u>\$ 3,031,230</u>

See Notes to the Financial Statements

**FIRST DISTRICT HEALTH UNIT**  
**BALANCE SHEET**  
**DECEMBER 31, 2017**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,252,573
Accounts receivable	215,682
Inventories	<u>326,048</u>
Total assets	<u><u>\$ 3,794,303</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 22,711
Accrued liabilities	98,206
Unearned revenue	<u>24,000</u>
Total liabilities	<u>144,917</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Delinquent property taxes	<u>22,736</u>
<b>FUND BALANCES</b>	
Nonspendable	326,048
Unassigned	<u>3,300,602</u>
Total fund balances	<u>3,626,650</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 3,794,303</u></u>

See Notes to the Financial Statements

**FIRST DISTRICT HEALTH UNIT**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

Total fund balance - governmental funds	\$ 3,626,650
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds

Property taxes	22,736	
Consumer fees	1,663	
Total		24,399

Capital assets used in governmental activities are not current financial resources and therefore not reported in the fund

1,600,148

Net deferred outflows (inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities that are not financial resources, and therefore are not reported as deferred outflows (inflows) of resources in the governmental funds

1,562,400

Long-term liabilities not due and payable in the current period and therefore are not included in the fund:

Net pension liability	(3,612,776)	
Compensated absences	(169,591)	
Total		(3,782,367)

Total net position - governmental activities	\$ 3,031,230
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\$ 3,031,230

See Notes to the Financial Statements

**FIRST DISTRICT HEALTH UNIT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General Fund</u>
Revenues:	
County mill levy allocation	\$ 1,254,429
City assessment	336,589
Federal grants	864,326
State grants	106,791
State aid	698,637
Medicare/Medicaid	264,793
Other non-governmental grants	43,668
Consumer fees	1,435,147
Donations	3,099
Contract for services	349,112
Other revenue	8,885
Total revenues	<u>5,365,476</u>
Expenditures:	
Current:	
Accreditation	19,401
Adult health promotion	378,951
Children and youth	28,983
Environmental responses	710,701
Emergency preparedness and response	223,351
Family planning	324,485
FDA	4,960
High priority infant	71,670
Health tracks	142,046
Immunizations	1,461,805
Injury prevention	90,114
Jail health	7,160
Opioid	3,797
Maternal and infant	56,439
Ryan White	45,305
School health	322,284
Sexually transmitted diseases	8,781
Strategic prevention framework state incentive grant	29,709
Tobacco	353,439
Tobacco - Baby and me	13,667
Tuberculosis	15,219
Women, infants and children	575,835
Miscellaneous	54,768
Capital outlays	168,217
Total expenditures	<u>5,111,087</u>
Net change in fund balances	254,389
Fund balance - beginning of year	<u>3,372,261</u>
Fund balance - end of year	<u>\$ 3,626,650</u>

See Notes to the Financial Statements

**FIRST DISTRICT HEALTH UNIT**  
**RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO**  
**THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Net change in fund balances - total governmental funds \$ 254,389

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
Statement of Activities, the cost of these assets is allocated over their estimated  
useful lives as depreciation expense. This is the amount by which capital outlays  
exceeded depreciation in the current period:

Capital outlay	168,217	
Depreciation expense	(77,817)	
Excess of capital outlay over depreciation		90,400

Revenues in the Statement of Activities that do not provide current financial resources  
are not reported as revenues in the funds. This represents the net effect of prior year  
unavailable revenue being recognized in the current year, and the current year  
unavailable revenue not being recognized on the fund level in the current year.

(15,426)

Changes in deferred outflows and inflows relating to net pension liability 1,109,814

Some expenses reported in the Statement of Activities do not require the use of  
current financial resources and therefore are not reported as expenditures in  
governmental funds:

Net decrease in accrued compensated absences	8,011	
Net increase in net pension liability	(1,497,529)	
Total		(1,489,518)

Net change in net position of government activities \$ (50,341)

See Notes to the Financial Statements

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of First District Health Unit is presented to assist in understanding the Health Unit's financial statements.

The financial statements of First District Health Unit have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. 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 government's accounting policies are described below.

**Nature of Operations**

The purpose of First District Health Unit is to provide a variety of services and programs that maintain and/or improve the health status of the general population and their government. The principal area served is seven counties in north central North Dakota. The District accounts for all of the following programs in the Health Unit's general fund.

**General Health**

The Health Unit's most significant programs are as follows:

**IMMUNIZATIONS** - Immunizations provided for children include: DPT, Polio, Measles-Mumps-Rubella (MMR), Hepatitis B, Chicken Pox, Haemophilus b, and others. Immunizations provided for adults include: Influenza, MMR, Zostavax and Tetanus Diphtheria.

**WOMEN, INFANTS AND CHILDREN (WIC)** - Supplemental food and nutrition education program for qualifying women, infants, and children.

**ENVIRONMENTAL RESPONSES** - The Environmental Responses Division is responsible for the enforcement of state public health laws, unit regulations, and local ordinances pertaining to public health. Education, inspection, and enforcement are performed in several programs.

**RYAN WHITE** - Identification and treatment of sexually transmitted diseases, as well as AIDS testing with pre and post test counseling.

**TUBERCULOSIS** - Identification, treatment and follow-up of tuberculosis.

**ADULT HEALTH PROMOTION (AHP)** - Work site wellness programs and screening for hypertension, diabetes, cholesterol, among others, with health education intervention and referrals to appropriate health care practitioners.

**HEALTH TRACKS** - Screening clinic services purchased at cost by North Dakota Human Services to identify and refer health problems of AFDC eligible.

**TOBACCO PREVENTION** - To improve and protect the public health by reducing the dire health and economic consequences of tobacco use. Restricting the marketing of tobacco to youth and helping establish tobacco-free as the social norm through education, media and policy advocacy efforts.

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2017**

**INJURY PREVENTION** - Education programs in many areas of safety that help reduce the incidence of death and disability among children.

**EMERGENCY PREPAREDNESS AND RESPONSE** - Responds to disasters and assists communities in recovery.

**FAMILY PLANNING** - Education and counseling on birth control and pregnancy, identification and treatment of STDs, as well as cancer screening for women.

**MATERNAL & INFANT** - Prenatal Optimal Pregnancy Outcome Program for at-risk women and cooperative prenatal programs in the rural areas.

**SCHOOL HEALTH** - Health education programs, services, and immunizations.

**HIGH PRIORITY INFANT** - Support and guidance for families of infants born prematurely or experience serious illness early in life.

**STRATEGIC PREVENTION FRAMEWORK** – Prevent the onset and reduce the progression of substance abuse, including underage drinking and other substance-abuse related problems.

**Reporting Entity**

The accompanying financial statement present the activities of the First District Health Unit. The Health Unit has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship 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. These criteria include 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 Health Unit. Based upon the application of these criteria, the Health Unit is not includable as a component unit within another reporting entity and the Health Unit does not have a component unit.

**Basis of Presentation**

The Health Unit's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The statement of net position and the statement of activities display information about the Health Unit as a whole. These statements include the financial activities of the reporting entity, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2017**

The statement of activities presents a comparison between direct expenses and program revenues for each program or 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 program and (b) grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements*

During the year, the Health Unit segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. The Health Unit's sole major fund is presented as a separate column in the fund financial statements.

The Health Unit reports the following major governmental fund:

General Fund: The general fund is the government'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**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. 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. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available if they are collected within 60 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.



**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2017**

**Cash and Cash Equivalents**

The Health Unit considers highly liquid investments with an original maturity of three months or less to be cash equivalents, except for certificates of deposit, which are considered cash equivalents regardless of their term since there is no loss of principal for early withdrawal.

**Accounts Receivable**

Accounts receivables consist of grants and reimbursements due from governmental social programs, property tax receivables, and consumer and miscellaneous receivables. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. A receivable is considered past due if any portion of the receivable is outstanding more than 30 days. Management considers all receivables collectible and there is no allowance as of December 31, 2017.

**Inventories**

Inventories in governmental funds consist of expendable supplies held for consumption. They are stated at cost determined on a first-in, first-out basis. They are recorded as an expense at the time individual inventory items are consumed rather than when purchased.

**Capital Assets**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the Health Unit's fiscal year. The Health Unit's policy is to capitalize all property with a cost greater than \$2,000.

Donated fixed assets are recorded at their acquisition values at the date received. The Health Unit does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The Health Unit's policy on land and construction in progress costs is that they are capitalized but not depreciated.

All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The Health Unit has established the following useful lives:

Buildings and Improvements	10 to 50 years
Equipment and Furniture	5 to 20 years

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2017**

**Compensated Absences**

The Health Unit reports compensated absences in accordance with GASB provisions. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Health Unit will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued at a rate of 8 hours per month for each full-time employee. An employee who accepts a retirement allowance under NDCC Chapter 54-52 is entitled at the time of retirement to a lump sum payment equal to one-tenth (10%) of the pay attributed to the employees unused sick leave.

**Unearned Revenue**

The Health Unit reports unearned revenue in accordance with GASB provisions. Unearned revenue consists of contract revenue that has been received but not yet earned.

**Grant Revenue Recognition**

The governmental grants received by the Health Unit are recognized as revenue at the time eligible expenditures are incurred. The grants are accounted for as exchange transactions due to the government's solicitation of proposals, approval of allowable expenditures and eligibility requirements. Grant funds received prior to expenditure are recorded as refundable advances on the statement of net position. These funds are to be repaid to the grantor if they are not used on eligible expenditures.

**Deferred Outflows/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 resource (expense/expenditure) until then. The Health Unit has one item that qualifies for reporting in this category named *deferred outflow – pension* which represents actuarial differences within NDPERS pension plans as well as amounts paid to the plans after the measurement date.

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 Health Unit has one item reported as a deferred inflow on the statement of net position, *deferred inflow – pension*, which represents actuarial differences within NDPERS pension plans. The Health Unit has one item reported as a deferred inflow on the governmental funds balance sheet, *delinquent property taxes*, which represents property taxes that are unavailable as of the balance sheet date. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2017**

**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' 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.

**Equity Classifications**

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of net investment in capital assets or restricted.

It is the Health Unit's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

*Nonspendable* - consists of amounts that are not in spendable form, such as inventory and prepaid items.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

*Restricted* - consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

*Committed* - consists of internally imposed constraints. These constraints are established by Resolution of the District Board of Health.

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2017**

*Assigned* - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the Health Unit's intended use. These constraints are established by the District Board of Health.

*Unassigned* - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When committed, assigned, or unassigned resources are available for use, it is the Health Unit's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 DEPOSITS**

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions 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.

Credit Risk:

The Health Unit may invest idle funds as authorized in North Dakota statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress
- (b) Securities sold under agreement to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type above
- (c) Certificates of deposits fully insured by the federal deposit insurance corporation
- (d) Obligations of the state
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less

As of December 31, 2017, the Health Unit had no investments.

Custodial Credit Risk

This is the risk that, in the event a financial institution fails, a government is unable to recover the value of its deposits, investments, or collateralized securities in the possession of the institution.

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2017**

The Health Unit maintains cash on deposit at a financial institution. The amount on deposit was insured by the FDIC up to \$250,000. At December 31, 2017, none of the Health Unit's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$3,049,912 of the Health Unit's deposits are covered by pledged securities held in the Health Unit's name. These pledged securities exceed 110% of the uninsured balance.

**Concentration of Credit Risk:**

The Health Unit does not have a limit on the amount the Health Unit may invest in any one issuer. The Health Unit has no formal investment policy.

**NOTE 3 INVENTORIES**

Inventories at December 31, 2017, consist of the following:

Medical and contraceptive supplies	\$ 259,544
Office supplies	10,833
Medical lab supplies	55,671
	<u>\$ 326,048</u>

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended December 31, 2017 was as follows:

	Balance 1/1/17	Additions	Deductions	Balance 12/31/17
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 9,418	\$ -	\$ -	\$ 9,418
Total capital assets not being depreciated	<u>9,418</u>	<u>-</u>	<u>-</u>	<u>9,418</u>
Capital assets being depreciated:				
Buildings and improvements	2,144,384	125,862	-	2,270,246
Equipment and furniture	288,728	42,355	5,154	325,929
Total capital assets at historical cost	<u>2,433,112</u>	<u>168,217</u>	<u>5,154</u>	<u>2,596,175</u>
Less accumulated depreciation:				
Buildings and improvements	772,483	53,625	-	826,108
Equipment and furniture	160,299	24,192	5,154	179,337
Total accumulated depreciation	<u>932,782</u>	<u>77,817</u>	<u>5,154</u>	<u>1,005,445</u>
Total capital assets being depreciated, net	<u>1,500,330</u>	<u>90,400</u>	<u>-</u>	<u>1,590,730</u>
Net capital assets	<u>\$ 1,509,748</u>	<u>\$ 90,400</u>	<u>\$ -</u>	<u>\$ 1,600,148</u>

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2017**

In the governmental activities section of the statement of activities, depreciation was charged to expense in the following governmental functions:

Unallocable	<u>\$ 77,817</u>
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**NOTE 5 LONG TERM LIABILITIES**

During the year ended December 31, 2017, the following changes occurred in liabilities reported as long-term in the Statement of Net Position:

	Compensated Absences	Net Pension Liability
Balance January 1, 2017	\$ 177,602	\$ 2,115,247
Additions	147,589	2,526,221
Reductions	(155,600)	(1,028,692)
Balance December 31, 2017	<u>\$ 169,591</u>	<u>\$ 3,612,776</u>

See Note 6 for more information on the net pension liability.

**NOTE 6 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 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 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 provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 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.

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2017**

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 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 received 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 covered compensation. 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

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2017**

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

At December 31, 2017, the Health Unit reported a liability of \$3,612,776 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the Health Unit's proportion was 0.224769 percent, which was an increase of 0.007731 percent from its proportion measured at June 30, 2016.

For the year ended December 31, 2017, the Health Unit recognized pension expense of \$549,913. At December 31, 2017, the Health Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,474	\$ (17,602)
Changes of assumptions	1,481,482	(81,485)
Net difference between projected and actual earnings on pension plan investments	48,589	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	75,507	(45,985)
Employer contributions subsequent to the measurement date	<u>80,420</u>	<u>-</u>
Total	<u>\$ 1,707,472</u>	<u>\$ (145,072)</u>

There is \$80,420 reported as deferred outflows of resources related to pensions resulting from the Health Unit's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

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

**Year ended June 30:**

2018	\$ 318,006
2019	384,676
2020	334,459
2021	290,237
2022	154,602



**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2017**

***Actuarial Assumptions***

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%

\*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return	7.75%, 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	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2017**

***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).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

***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 6.44 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	<u>1% Decrease (5.44%)</u>	<u>Current Discount Rate (6.44%)</u>	<u>1% Increase (7.44%)</u>
Employer's proportionate share of the net pension liability	\$ 4,904,453	\$ 3,612,776	\$ 2,538,153

***Pension plan fiduciary net position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2017**

**NOTE 7 RISK MANAGEMENT**

First District 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 (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 First District Health Unit pays an annual premium to NDIRF for its general liability coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence. In the past three years, no settled claims have exceeded insurance coverage.

The State Bonding Fund currently provides the Health Unit with blanket fidelity bond coverage in the amount of \$1,981,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

First District Health Unit participates in the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

**NOTE 8 CONTINGENCIES**

The Health Unit received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The Health Unit's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the Health Unit as of December 31, 2017.

**NOTE 9 NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2017**

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2017**

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the entity's financial statements.

**NOTE 10 SUBSEQUENT EVENT**

Subsequent events were evaluated through July 31, 2018, which is the date these financial statements were available to be issued.

**FIRST DISTRICT HEALTH UNIT**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original and Final Budget	Actual	Variance Final to Actual
Revenues:			
County mill levy allocation	\$ 1,308,974	\$ 1,254,429	\$ (54,545)
City assessment	341,000	336,589	(4,411)
Federal grants	781,000	864,326	83,326
State grants	25,000	106,791	81,791
State aid	834,789	698,637	(136,152)
Medicare/Medicaid	263,500	264,793	1,293
Other non-governmental grants	5,000	43,668	38,668
Consumer fees	1,440,000	1,435,147	(4,853)
Donations	10,000	3,099	(6,901)
Contract for services	234,000	349,112	115,112
Other revenue	20,000	8,885	(11,115)
Total revenues	5,263,263	5,365,476	102,213
Expenditures:			
Current:			
Salaries	2,243,704	2,301,077	(57,373)
Payroll taxes and other	176,521	177,591	(1,070)
Retirement	342,389	346,161	(3,772)
Travel	92,000	66,936	25,064
Clinic supplies	1,079,000	712,302	366,698
Contract personnel	200,000	217,594	(17,594)
Laboratory expense	25,000	8,941	16,059
Professional development	25,000	42,804	(17,804)
Health promotion	60,000	47,053	12,947
Premises and liability insurance	13,500	-	13,500
Group insurance	650,000	667,352	(17,352)
Office expense	5,000	19,571	(14,571)
Postage	22,000	15,702	6,298
Dues and subscriptions	3,000	4,909	(1,909)
Utilities	35,000	31,593	3,407
Telephone	46,000	50,665	(4,665)
Health Alert Network	15,000	23,161	(8,161)
Maintenance, repairs, janitorial	60,000	56,377	3,623
Equipment space and usage	11,000	8,820	2,180
Contract services	75,000	31,536	43,464
Data processing	58,000	25,416	32,584
Professional audit fees	15,500	20,965	(5,465)
Board of health fees	5,500	3,622	1,878
Other expenses	5,000	62,722	(57,722)
Capital outlays	-	168,217	(168,217)
Total expenditures	5,263,114	5,111,087	152,027
Net change in fund balances	149	254,389	254,240
Fund balance - beginning of year	3,372,261	3,372,261	-
Fund balance - end of year	\$ 3,372,410	\$ 3,626,650	\$ 254,240

See Notes to Required Supplementary Information

**FIRST DISTRICT HEALTH UNIT**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.224769%	0.217038%	0.212330%
Employer's proportionate share of the net pension liability (asset)	\$ 3,612,776	\$ 2,115,247	\$ 1,443,808
Employer's covered-employee payroll	2,294,541	2,187,235	1,891,601
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%

\* The Health Unit implemented GASB Statements No. 68 and 71 for its fiscal year ending December 31, 2015. Information for the prior years is not available.

See Notes to Required Supplementary Information

**FIRST DISTRICT HEALTH UNIT**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 163,130	\$ 159,785	\$ 154,970
Contributions in relation to the statutorily required contribution	(163,130)	(159,785)	(154,970)
Contribution deficiency (excess)	-	-	-
Employer's covered-employee payroll	2,291,146	2,244,176	2,176,542
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%

\* The Health Unit implemented GASB Statements No. 68 and 71 for its fiscal year ending December 31, 2015. Information for the prior years is not available.

See Notes to Required Supplementary Information



**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 BUDGET INFORMATION**

**Budgets and Budgetary Accounting**

The Health Unit's board follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year. The governing board reviews the preliminary budget at the hearing, and may make revisions that do not increase the total budget and prepares the final budget. The governing board adopts an ordinance approving the tax levy requested in the final budget. The final budget must be filed with the county auditor by October 10.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10. The budget was not amended in fiscal year 2017.

Except as provided by North Dakota Century Code, the balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

The Health Unit prepares its budget and reports its governmental funds on the same basis of accounting.

**Legal Compliance**

On or before the first of May of each year, First District Health Unit submits requests for appropriation to each county auditor so that a budget may be prepared. It includes information on the past year, current year estimates and requested appropriations for the next year.

On the first Thursday of August, the proposed budget is presented to the District Board of Health for review. The proposed budget is then presented to the joint Boards of County Commissioners for approval at the end of September. The joint Boards hold public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget.

The Health Unit's general fund had expenditures that exceeded budget appropriations by \$181,817 for the year ended December 31, 2017.

No remedial action is anticipated or required by the Health Unit regarding these excess expenditures.

**FIRST DISTRICT HEALTH UNIT**  
**SCHEDULE OF SALARIES AND WAGES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Title</u>	<u>Amount</u>
<b>ADMINISTRATION</b>		
Lisa Clute	Executive Officer	\$ 86,232
Lois Mackey	Business Manager	63,468
Lori Brierley	Director of Communications	65,169
Holly Brekhus	Executive Assistant	50,992
		<u>265,861</u>
<b>ADMINISTRATIVE SUPPORT DIVISION</b>		
Linda Hoff	Billing Specialist	44,796
Dawn Benzmilller	Administrative Assistant	36,291
Yvonne Drader	Administrative Assistant	36,222
Becky Fred	Administrative Assistant	34,680
Barbara Wolf	Administrative Assistant	30,372
Melissa Gilseth	Administrative Assistant	28,500
Linda Liebelt	Administrative Assistant	28,524
Victoria Jones	Administrative Assistant	4,314
Brandy Lee	Communications Assistant	28,980
		<u>272,679</u>
<b>NURSING DIVISION</b>		
Penny Hamilton	Director of Nursing	54,723
Roxanne Vendsel	Director of Nursing	40,877
Karla Fannik	City Public Health Nurse	59,760
Danell Eklund	County Nurse Coordinator	59,508
Susan Brandvold	Bottineau County Public Health Nurse	57,684
Paula Rothermund	City Public Health Nurse	55,802
Nancy Bryn	McHenry County Public Health Nurse	50,208
Lacey McNichols	City Public Health Nurse	48,434
Pam Fischer	McLean County Public Health Nurse	46,872
Beth Weidler	City Public Health Nurse	45,376
Amy Heer	McLean County Public Health Nurse	40,171
Tami Aberle	Renville County Public Health Nurse	40,171
Melissa Burud	Kenmare Area Public Health Nurse	50,244
Stacey Schoemer	Burke County Public Health Nurse	37,519
Ami Yale	City Public Health Nurse	32,269
Kristi Jensen	Sheridan County Public Health Nurse	34,966
Melissa Meigs	City Public Health Nurse	43,560
Elizabeth Kosel-Tilton	City Public Health Nurse	12,100
Kerry Raghib	Mid Level Practitioner	58,749
		<u>868,993</u>

**FIRST DISTRICT HEALTH UNIT**  
**SCHEDULE OF SALARIES AND WAGES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Title</u>	<u>Amount</u>
<b>EMERGENCY RESPONSE DIVISION</b>		
Jose Estrada	Emergency Response Coordinator	\$ 59,760
<b>MAINTENANCE</b>		
Terry Sebo	Building & Grounds Supervisor	31,919
<b>HEALTH PROMOTION</b>		
Renae Byre	Director of Health Promotion	49,214
Bonnie Riely	Tobacco Cessation Coordinator	40,116
Mary Hanretty	Outreach Prevention Coordinator	39,048
Kira Lampton	Outreach Prevention Coordinator	36,576
		<u>164,954</u>
<b>ENVIRONMENTAL HEALTH DIVISION</b>		
Jim Heckman	Director of Environmental Health	70,548
Jayne Calavera	Environmental Health Practitioner	53,388
Jacob Windsor	Environmental Health Practitioner	53,388
Elisabeth Westman	Environmental Health Practitioner	53,391
Carolyn Linster	Environmental Health Practitioner	24,172
Brittany Renner	Environmental Health Practitioner	24,854
Melissa Wilson	Environmental Health Practitioner	10,356
Jo Gourneau	Environmental Health Practitioner	28,622
		<u>318,719</u>
<b>NUTRITION DIVISION</b>		
Jim Snyder	Director of Nutrition	72,900
Tessa Nesheim	WIC Nutritionist - MAFB	57,856
Loa Orvik	High Risk Dietician	55,716
Diane Thorne	WIC Nutritionist - Minot	52,717
Katie Huettl	WIC Nutritionist - Minot	41,880
Jacqueline Cenis	WIC Nutritionist - MAFB	5,166
Bobbi Dickinson	Injury Prevention	31,957
		<u>318,192</u>
Total Wages		<u>\$2,301,077</u>

**FIRST DISTRICT HEALTH UNIT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Federal CFDA Number	Pass-Through Grant Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through the ND Department of Health: Special Supplemental Nutrition Program for Women, Infant and Children	10.557	HLH3157/HLH3158	\$ 432,445
<u>U.S. Environmental Protection Agency</u>			
Passed through the ND Department of Health: Performance Partnership Grants	66.605	HLH0991	4,000
<u>U.S. Department of Health and Human Services</u>			
Passed through the ND Department of Health:			
Public Health Emergency Preparedness	93.069	HLH3277/HLH3278	224,989
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	HLH3397	1,700
Family Planning Services	93.217	HLH3116/HLH3117	69,279
Immunization Cooperative Agreements	93.268	HLH3316/HLH3317	5,999
PPHF Capacity Building Assistance to Strengthen Public Health Infrastructure and Performance	93.539	HLH4606/HLH4607	53,998
HIV Care Formula Grants	93.917	HLH3437/HLH3438	48,842
HIV Prevention Activities, Health Department Based	93.940	HLH3376	13,074
Maternal and Child Health Services Block Grant to States	93.994	HLH3136	10,000
Total U.S. Department of Health and Human Services			\$ 427,881
Total Federal Expenditures			\$ 864,326

See Notes to the Schedule of Expenditures of Federal Awards

**FIRST DISTRICT HEALTH UNIT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of the First District Health Unit under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the First District Health Unit, it is not intended to and does not present the financial position, change in net position, or cash flows of the First District Health Unit.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement. First District Health Unit has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

**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**

To the District Board of Health  
First District Health Unit  
Minot, 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 First District Health Unit, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise First District Health Unit's basic financial statements and have issued our report thereon dated July 31, 2018.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001 and 2017-002 that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether First 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*.

## **First District Health Unit's Response to Finding**

First District Health Unit's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. First 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.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**BISMARCK, NORTH DAKOTA**

July 31, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the District Board of Health  
First District Health Unit  
Minot, North Dakota

**Report on Compliance for Each Major Program**

We have audited the First District Health Unit's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on the First District Health Unit's major federal program for the year ended December 31, 2017. First District Health Unit's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of First District Health Unit's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about First District Health Unit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of First District Health Unit's compliance.



## Opinion on Each Federal Major Program

In our opinion, First District Health Unit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2017.

## Report on Internal Control over Compliance

Management of First District Health Unit is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered First District Health Unit's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of First District Health Unit's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**BISMARCK, NORTH DAKOTA**

July 31, 2018

**FIRST DISTRICT HEALTH UNIT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Section 1 – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>  x  </u> yes	<u>      </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  x  </u> none reported
Noncompliance material to financial statements noted?	<u>      </u> yes	<u>  x  </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u>      </u> yes	<u>  x  </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  x  </u> none reported

Type of auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?

       yes        x   no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
--------	---

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

       yes        x   no

**FIRST DISTRICT HEALTH UNIT**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**DECEMBER 31, 2017**

**Section II – Financial Statement Findings**

**2017-001: Material Weakness**

Criteria

An appropriate system of internal controls requires that the Health Unit must make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America. This also requires the entity's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition

The Health Unit's auditors prepared the financial statements as of December 31, 2017. In addition, material adjusting entries were proposed to bring the financial statements into compliance with generally accepted accounting principles (GAAP). An appropriate system of internal control requires that the entity make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with generally accepted accounting principles. The entity does not have the controls necessary to assess whether all relevant disclosures have been included in the financial statements as required by GAAP. The lack of appropriate disclosures may affect the user's judgment related to financial condition, results of operations and cash flows of First District Health Unit.

Cause

The entity's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect

An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with accounting principles generally accepted in the United States of America. However, the entity is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation

We recommend that the entity reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

Due to the small size of the Health Unit, it is not cost effective for the Health Unit to properly address this control deficiency.

Indication of Repeat Finding

This is a repeat finding of finding 2016-001 from the prior year.

**Section III – Federal Award Findings and Questioned Costs**

There are no findings which are required to be reported under this section.

**FIRST DISTRICT HEALTH UNIT**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**2016-001: Material Weakness**

Criteria

An appropriate system of internal controls requires that the Health Unit must make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the entity's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition

The Health Unit's auditors prepared the financial statements as of December 31, 2017. In addition, adjusting entries were proposed to bring the financial statements into compliance with generally accepted accounting principles (GAAP). An appropriate system of internal control requires that the entity make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with generally accepted accounting principles. The entity does not have the controls necessary to assess whether all relevant disclosures have been included in the financial statements as required by GAAP. The lack of appropriate disclosures may affect the user's judgment related to financial condition, results of operations and cash flows of First District Health Unit.

Cause

The entity's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect

An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with accounting principles generally accepted in the United States of America. However, the entity is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation

We recommend that the entity reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

Due to the small size of the Health Unit, it is not cost effective for the Health Unit to properly address this control deficiency.

Current Status

This finding is repeated in the current year as 2017-001.

**FIRST DISTRICT HEALTH UNIT**  
**SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED**  
**DECEMBER 31, 2017**

**2016-002**

Criteria

The Health Unit is required to comply with applicable sections of North Dakota Century Code.

Condition

North Dakota Century Code section 21-04-11 requires the board of a public corporation to approve a complete and detailed record of securities pledged as collateral to a depository, at least semi-annually.

Cause

The Health Unit's board did not formally approve the securities pledged as collateral to its depository in fiscal year 2016.

Effect

The Health Unit was not in compliance with North Dakota Century Code.

Recommendation

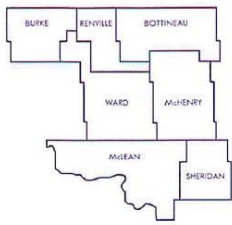
We recommend that the District Board of Health review and approve the securities pledged as collateral to its depository at least semi-annually, to comply with North Dakota Century Code. The approval should be documented in the board minutes.

Views of Responsible Officials and Planned Corrective Actions

The Health Unit will have the board review and approve pledged securities semi-annually.

Current Status

This finding was corrected during fiscal year 2017.



OFFICES IN:  
Minot, Bottineau, Bowbells, Garrison,  
Kenmare, McClusky, Minot AFB,  
Mohall, Towner & Washburn

## FIRST DISTRICT HEALTH UNIT

PO Box 1268 • 801 - 11th Avenue SW • Minot, ND 58702-1268  
Phone (701) 852-1376 • Fax (701) 852-5043 • [www.fdh.u.org](http://www.fdh.u.org)



**Public Health**  
Prevent. Promote. Protect.

### **2017-001**

#### Contact Person

Lisa Clute, Executive Officer

#### Corrective Action Plan

Due to the small size of the Health Unit, it is not cost effective for the Health Unit to properly address this control deficiency.

#### Completion Date

N/A