

CENTRAL VALLEY HEALTH DISTRICT

Jamestown, North Dakota

REPORT ON FINANCIAL STATEMENTS

(with supplementary information)

Year Ended June 30, 2018

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
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INDEPENDENT AUDITORS' REPORT

Governing Board
CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **CENTRAL VALLEY HEALTH DISTRICT, Jamestown, North Dakota**, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the **CENTRAL VALLEY HEALTH DISTRICT's** basic financial statements as listed in the 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.

Auditors' 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 of 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 auditors' 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, each major fund, and the aggregate remaining

INDEPENDENT AUDITORS' REPORT - continued

fund information of the **CENTRAL VALLEY HEALTH DISTRICT, Jamestown, North Dakota**, as of June 30, 2018 and the respective changes in financial position, and, where applicable, cash flows thereof 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 management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 34 through 36 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 **CENTRAL VALLEY HEALTH DISTRICT, Jamestown, North Dakota's** basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements 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 combining non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of the **CENTRAL VALLEY HEALTH DISTRICT, Jamestown, North Dakota's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting

INDEPENDENT AUDITORS' REPORT - continued

or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **CENTRAL VALLEY HEALTH DISTRICT, Jamestown, North Dakota's** internal control over financial reporting and compliance.



SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants
Jamestown, North Dakota

December 14, 2018

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2018

As management of the **CENTRAL VALLEY HEALTH DISTRICT**, we offer readers of the **CENTRAL VALLEY HEALTH DISTRICT'S** financial statements this narrative overview and analysis of the financial activities of the **CENTRAL VALLEY HEALTH DISTRICT** for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the additional information presented in the accompanying basic financial statements and the related notes.

Financial Highlights

Year ended June 30, 2018

- The net position of the **CENTRAL VALLEY HEALTH DISTRICT** decreased by \$134,280 or 12% as a result of current year operations.
- Total revenues from all sources were \$2,481,536.
- Total cost of all programs was \$2,615,816.
- Governmental net position totaled \$865,039.

Using This Annual Report

This annual report presents the following three components of the financial statements:

1. Government-wide financial statements provide information for the Health District as a whole.
2. Fund financial statements provide detailed information for the Health District's significant funds.
3. Notes to the financial statements provide additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the **CENTRAL VALLEY HEALTH DISTRICT'S** finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information on how the Health District's net position changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that 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 the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The government-wide financial statements include functions of the Health District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of **CENTRAL VALLEY HEALTH DISTRICT** include health and welfare.

The government-wide financial statements begin on page 11

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

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. The **CENTRAL VALLEY HEALTH DISTRICT**, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of **CENTRAL VALLEY HEALTH DISTRICT** 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. The governmental fund statements provide a detailed short-term view of the government operations and the basic services it provides, and are reported on the modified accrual basis of accounting which focuses on available spendable resources. This allows the reader to evaluate the Health District's short-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 the comparison between the governmental funds and the government-wide financial statements.

The **CENTRAL VALLEY HEALTH DISTRICT** maintains anywhere from 20 to 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances for the general fund, and the following major funds: the Family Planning fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The **CENTRAL VALLEY HEALTH DISTRICT** adopts an annually appropriated budget for its governmental funds. Budgetary comparison schedules for the general and major special revenue funds are required to be presented and are included in the required supplementary information section on pages 34-36 of this report.

The governmental fund financial statements begin on page 13.

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 pages 17-33 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining fund statements and other schedules can be found on pages 39-40.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

Financial Analysis of the Health District as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the Health District's financial position. In the case of the **CENTRAL VALLEY HEALTH DISTRICT**, assets exceeded liabilities by \$865,039 at the close of the most recent fiscal year.

Table I provides a summary of the Health District's net assets as of June 30, 2018 and 2017.

Table I
NET POSITION
 June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
ASSETS		
Current assets	\$ 1,595,829	\$ 1,400,921
Capital assets (net of depreciation)	556,612	572,822
Deferred outflows of resources	945,763	342,777
Total Assets and Deferred Outflows of Resources	<u>\$ 3,098,204</u>	<u>\$ 2,316,520</u>
LIABILITIES		
Current liabilities	\$ 165,543	\$ 57,851
Long-term liabilities	1,955,423	1,041,793
Total Liabilities	<u>2,120,966</u>	<u>1,099,644</u>
Deferred Inflows of Resources	<u>112,199</u>	<u>132,421</u>
NET POSITION		
Net investment in capital assets	556,612	572,822
Restricted net position	414,106	345,207
Unrestricted net position	(105,679)	166,426
Total Net Position	<u>865,039</u>	<u>1,084,455</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,098,204</u>	<u>\$ 2,316,520</u>

Net Investment in capital assets consists of land, buildings, furniture and equipment, less any related debt used to acquire those assets that is still outstanding. The Health District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Health District's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of unrestricted net position may be used to meet the government's ongoing obligations to creditors. As of June 30, 2018, the **CENTRAL VALLEY HEALTH DISTRICT** is able to report positive balances in two category of net position.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

Table II shows the changes in net position for the years ended June 30, 2018 and 2017.

Table II
CHANGES IN NET POSITION
 Years Ended June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
REVENUES		
Program revenues		
Charges for services	\$ 708,948	\$ 722,047
Operating grants and contributions	1,113,533	1,216,261
General revenues		
Property taxes, levied for general purposes	547,150	543,527
Grants and contributions not restricted	20,441	29,745
Unrestricted investment earnings	2,843	2,187
Miscellaneous revenues	97,505	92,312
Loss on disposition of asset	(8,884)	
Total Revenues	<u>2,481,536</u>	<u>2,606,079</u>
EXPENSES		
Health and welfare	<u>2,615,816</u>	<u>2,487,051</u>
Change in net position	(134,280)	119,028
BEGINNING NET POSITION	1,084,455	965,427
PRIOR PERIOD ADJUSTMENT	<u>(85,136)</u>	
ENDING NET POSITION	<u>\$ 865,039</u>	<u>\$ 1,084,455</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 those services supported by tax revenue and other unrestricted revenues for the years ended June 30, 2018 and 2017.

Table III
TOTAL AND NET COST OF SERVICES
 Years Ended June 30, 2018 and 2017

	Governmental Activities			
	Total Costs	Net Costs	Total Costs	Net Costs
	Year Ended	Year Ended	Year Ended	Year Ended
	06/30/18	06/30/18	06/30/17	06/30/17
Health and welfare	<u>\$ 2,615,816</u>	<u>\$ 793,335</u>	<u>\$ 2,487,051</u>	<u>\$ 548,743</u>

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

Financial Analysis of the Government's Funds

As noted earlier, **CENTRAL VALLEY HEALTH DISTRICT** uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the **CENTRAL VALLEY HEALTH DISTRICT'S** *governmental funds* is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the **CENTRAL VALLEY HEALTH DISTRICT'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.

As of the end of the current fiscal year, the **CENTRAL VALLEY HEALTH DISTRICT'S** governmental funds reported combined ending fund balances of \$1,396,664, an increase of \$77,149 in comparison with the prior year. \$971,186 constitutes unassigned fund balance, which is available for spending at the government's discretion. As of the end of the fiscal year ended June 30, 2017, the **CENTRAL VALLEY HEALTH DISTRICT'S** governmental funds reported combined ending fund balances of \$1,319,515, an increase of \$178,865 in comparison with the prior year. \$961,522 constituted unassigned fund balance, which was available for spending at the government's discretion.

The general fund is the chief operating fund of the **CENTRAL VALLEY HEALTH DISTRICT**. At the end of the current fiscal year, unassigned fund balance of the general fund was \$971,186. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 75% of total general fund expenditures.

The fund balance of **CENTRAL VALLEY HEALTH DISTRICT'S** general fund increased by \$9,664 compared to an increase of \$133,111 in the prior year.

General Fund Budgetary Highlights

The District increased the revenue budget for the general fund by \$629,387. Property tax revenue increased by \$222,007, charges for services by \$253,181, intergovernmental revenue by \$106,212, miscellaneous revenue by \$44,337 and investment earnings by \$3,650. The expenditure budget for the general fund increased by \$604,501. Salaries and benefits increase by \$461,707 and all other expenditure categories increased by a combined \$142,794.

During the year ended June 30, 2018, revenues were more than budgetary estimates by \$15,566, expenditures were less than budgetary estimates by \$5,565, and other financing sources and uses were more than budgetary estimates by \$11,468.

During the year ended June 30, 2017, revenues were more than budgetary estimates by \$117,898, expenditures were less than budgetary estimates by \$14,119, and other financing sources and uses were less than budgetary estimates by \$1,094.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

Capital Assets

The **CENTRAL VALLEY HEALTH DISTRICT'S** net investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$556,612 (net of accumulated depreciation). This net investment in capital assets includes land, building, furniture and equipment.

Table IV
NET CAPITAL ASSETS
 (Net of Accumulated Depreciation)
 June 30

	Governmental Activities	
	2018	2017
Land	\$ 43,706	\$ 43,706
Building	400,602	415,935
Furniture and equipment	112,304	113,181
Net Capital Assets (Net of Depreciation)	<u>\$ 556,612</u>	<u>\$ 572,822</u>

Additional information on the **CENTRAL VALLEY HEALTH DISTRICT'S** capital assets can be found in note 9 starting on page 23 of this report.

Debt Administration

Table V
OUTSTANDING LONG-TERM DEBT
 June 30,

	Governmental Activities	
	2018	2017
Compensated absences	\$ 44,201	\$ 40,667
Net pension obligation	1,826,407	1,001,126
Net OPEB liability	84,815	
Total	<u>\$ 1,955,423</u>	<u>\$ 1,041,793</u>

Additional information on **CENTRAL VALLEY HEALTH DISTRICT** long-term debt can be found in note 13 starting on page 24 of this report.

Economic Factors and Next Year's Budgets and Rates

CENTRAL VALLEY HEALTH DISTRICT is comprised of two counties, Stutsman and Logan, located in east central North Dakota. The diversified economy for Stutsman County includes agriculture, the University of Jamestown, Cavendish Farms and the UTC Aerospace System. Stutsman County is experiencing limited growth. The economy for Logan County is predominantly agriculture. The taxable valuation of Stutsman County increased from \$106,884,843 in 2016 to \$110,783,728 in 2017. Logan County's taxable valuation increased from \$15,090,992 in 2016 to \$15,389,410 in 2017.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended June 30, 2018

Contacting the Health District's Financial Management

This financial report is designed to provide a general overview of **CENTRAL VALLEY HEALTH DISTRICT'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 **CENTRAL VALLEY HEALTH DISTRICT** Board of Health, 122 2nd St NW, Jamestown, North Dakota 58401.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,134,794
Certificates of deposit over 3 months	281,118
Accounts receivable	30,058
Taxes receivable	33,622
Intergovernmental receivables	102,364
Due from county treasurer	2,240
Inventories	11,633
Capital assets	
Land	43,706
Building	598,013
Furniture and equipment	265,683
Less: accumulated depreciation	(350,790)
Total Capital Assets	556,612
Total Assets	2,152,441
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	924,951
Deferred outflows related to OPEB	20,812
Total Deferred Outflows of Resources	945,763
 Total Assets and Deferred Outflows of Resources	 \$ 3,098,204
 LIABILITIES	
Accounts payable	\$ 24,657
Salaries and benefits payable	140,886
Long-term liabilities	
Compensated absences payable	44,201
Net pension obligation	1,826,407
Net OPEB liabilities	84,815
Total liabilities	2,120,966
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	105,425
Deferred inflows related to OPEB	6,774
Total Deferred Inflows of Resources	112,199
 NET POSITION	
Net investment in capital assets	556,612
Restricted for:	
Special revenue	414,106
Unrestricted net position	(105,679)
Total net position	865,039
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 3,098,204

The accompanying notes are an integral part of these financial statements.

**CENTRAL VALLEY HEALTH DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

<u>Functions/Programs</u>	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
Governmental Activities Health and welfare	Charges for Services	Operating Grants and Contributions	Governmental Activities
	\$ 2,615,816	\$ 708,948	\$ 1,113,533
			\$ (793,335)
 General revenues:			
Taxes:			
Property taxes, levied for general purposes			547,150
Grants and contributions not restricted to specific programs			20,441
Unrestricted investment earnings			2,843
Miscellaneous revenues			97,505
<i>Special item</i> - loss on sale of asset			(8,884)
Total general revenues			659,055
			(134,280)
 Change in net position			
 Net Position:			
Beginning of year			1,084,455
Restatement due to implementation of GASB 75			(85,136)
Beginning of year, as restated			999,319
End of year			\$ 865,039

The accompanying notes are an integral part of these financial statements

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
BALANCE SHEET
Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Family Planning</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND DEFERRED				
OUTFLOWS OF RESOURCES				
Cash and cash equivalents	\$ 1,134,769	\$ 25	\$	\$ 1,134,794
Certificates of deposit over 3 months	281,118			281,118
Accounts receivable	16,854	13,204		30,058
Taxes receivable, net	33,622			33,622
Intergovernmental receivables	143	11,335	90,886	102,364
Due from county treasurer	2,240			2,240
Due from other funds		256,363	90,679	347,042
Inventories		11,633		11,633
Total Assets and Deferred Outflows of Resources	<u>\$ 1,468,746</u>	<u>\$ 292,560</u>	<u>\$ 181,565</u>	<u>\$ 1,942,871</u>

LIABILITIES, DEFERRED				
INFLOWS OF RESOURCES AND				
FUND BALANCES				
Liabilities:				
Accounts payable	\$ 24,626	\$ 31	\$	\$ 24,657
Salaries and benefits payable	140,886			140,886
Due to other funds	298,426		48,616	347,042
Total Liabilities	<u>463,938</u>	<u>31</u>	<u>48,616</u>	<u>512,585</u>
Deferred Inflows of Resources:				
Long-term receivables	33,622			33,622
Fund Balances:				
Nonspendable		11,372		11,372
Restricted		281,157	132,949	414,106
Unassigned	971,186			971,186
Total Fund Balances	<u>971,186</u>	<u>292,529</u>	<u>132,949</u>	<u>1,396,664</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,468,746</u>	<u>\$ 292,560</u>	<u>\$ 181,565</u>	<u>\$ 1,942,871</u>

The accompanying notes are an integral part of these financial statements.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balance, Governmental Funds	\$	1,396,664
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		556,612
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		33,622
Net OPEB liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:		
Net pension obligation		(1,826,407)
Deferred outflows of resources		924,951
Deferred inflows of resources		(105,425)
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:		
Net OPEB liability		(84,815)
Deferred outflows of resources		20,812
Deferred inflows of resources		(6,774)
Some liabilities, (such as Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(44,201)
Net Assets of Governmental Activities in the Statement of Net Position	\$	865,039

The accompanying notes are an integral part of these financial statements.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended June 30, 2018

	General Fund	Family Planning	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 537,083	\$	\$	\$ 537,083
Intergovernmental	247,931	104,872	760,431	1,113,234
Charges for services	560,812	144,843	7,424	713,079
Investment earnings	1,842	1,000		2,842
Miscellaneous	43,277	51,572	19,267	114,116
Total Revenues	<u>1,390,945</u>	<u>302,287</u>	<u>787,122</u>	<u>2,480,354</u>
EXPENDITURES				
Current:				
Health and welfare				
Salaries and benefits	947,511	142,951	603,427	1,693,889
Travel and meetings	20,030	3,125	24,411	47,566
Insurance	3,388	1,060	1,053	5,501
Supplies	180,597	29,250	8,862	218,709
Building utilities and maintenance	29,849	8,453	7,711	46,013
Other	103,047	64,858	191,638	359,543
Equipment	18,217	428	13,339	31,984
Total Expenditures	<u>1,302,639</u>	<u>250,125</u>	<u>850,441</u>	<u>2,403,205</u>
Excess (deficiency) of revenues over expenditures	88,306	52,162	(63,319)	77,149
OTHER FINANCING SOURCES (USES)				
Transfers in			78,642	78,642
Transfers out	(78,642)			(78,642)
Total other financing sources (uses)	(78,642)		78,642	
Net change in fund balances	9,664	52,162	15,323	77,149
Fund Balances - Beginning	961,522	240,367	117,626	1,319,515
Fund Balances - Ending	<u>\$ 971,186</u>	<u>\$ 292,529</u>	<u>\$ 132,949</u>	<u>\$ 1,396,664</u>

The accompanying notes are an integral part of these financial statements.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES
Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds:	\$	77,149
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation \$40,523 exceeded capital outlays \$33,197 in the current period.		(7,326)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		10,068
Some expenses reported in the statement of activities do not require the use of current financial resources, such as deferred pension and OPEB expense		(201,752)
Governmental funds report the entire net sales proceeds from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports on the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		(8,884)
Some expenses reported in the statement of activities do not require the use of current financial resources, such as compensated absences and these are not reported as expenditures in governmental funds.		<u>(3,535)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(134,280)</u></u>

The accompanying notes are an integral part of these financial

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2018

1. Summary of Significant Accounting Policies

The Health District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The Health District's more significant accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the **CENTRAL VALLEY HEALTH DISTRICT**. The Health District has considered all potential component units for which the Health District is financially accountable and other organizations for which the nature and significance of their relationships with the Health District are such that exclusion would cause the Health District'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 criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the **CENTRAL VALLEY HEALTH DISTRICT** 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 **CENTRAL VALLEY HEALTH DISTRICT**.

Based on these criteria, there are no component units to be included within **CENTRAL VALLEY HEALTH DISTRICT** as a reporting entity.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. 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 non-exchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Health District's governmental activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) fees and charges paid by recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. General revenues, including taxes, are those revenues that are not properly classified as program revenue.

Fund Financial Statements

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

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS-- continued
Year Ended June 30, 2018

B. Basis of Presentation - continued

The Health District's major governmental funds are as follows:

General Fund - The General Fund is the operating fund of the Health District and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Family Planning - This fund is used to account for the family planning health grant and related activities.

C. Measurement Focus and Basis of Accounting

Government-wide financial statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of when the related cash flows take place. Non-exchange transactions, in which the Health District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, 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 - 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 District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days of the end of its fiscal year. 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 long-term debt, claims, 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 District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Health District'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 District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. 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 the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS— continued
Year Ended June 30, 2018

E. Deposits and Investments

In accordance with North Dakota Statutes, the Health District maintains deposits at depository banks that are members of the Federal Reserve System. North Dakota laws require all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentality's, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies, or instrumentality's, or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body, and bonds issued by any other state of the United States or such other securities approved by the banking board.

As of June 30, 2018, the Health District's carrying amount of deposits was \$1,134,794 and the bank balance was \$1,152,202. As of June 30, 2018, the Health District held certificates of deposit in the amount of \$281,118, which are all considered investments. All of the deposits were covered by Federal Depository Insurance or pledged collateral.

Credit Risk - The Health District may invest idle funds as authorized in North Dakota state statutes as follows:

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, instrumentality's, 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 a type listed above.
3. Certificates of deposit fully insured by the Federal Deposit Insurance Corporation.
4. Obligations of the state.

Concentration of Credit Risk - The Health District does not have a limit on the amount they may invest in any one issuer.

F. Cash Flow Information

The Health District considers cash and cash equivalents to include cash on hand, demand deposits and all highly liquid investments with a maturity of three months or less.

G. Capital Assets

Government-Wide Statements

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 assets. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the year. The Health District has established a capitalization threshold of \$3,000 and having a useful life in excess of two years. Donated capital assets are recorded at their estimated fair market value at the date

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS— continued
Year Ended June 30, 2018

G. Capital Assets - continued

received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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 over their estimated useful lives on a straight-line basis. The Health District has established the following useful lives:

Building	25 to 50 years
Furniture and equipment	5 to 20 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

H. Net Position/Fund Balance

Government-Wide 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, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

In the governmental fund statements, fund balances are classified as nonspendable, restricted or unassigned.

Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS— continued
Year Ended June 30, 2018

H. Net Position/Fund Balance - continued

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund.

I. 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 Employees Retirement System (NDPERS) and additions to /deductions from NDPERS fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Other Post Employment Benefits (OPEB)

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

2. Accounts Receivable

Accounts receivable consist of amounts billed to individuals or other entities for services provided. Due to the clients served by the Health District, they are unable to turn uncollectible accounts over for collection and have established an allowance for bad debts. After 90 days, uncollected balances will be classified as doubtful and after eighteen months, uncollectible accounts are automatically written off as a reduction of income.

3. Taxes Receivable

The taxes receivable represents the past four years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes.

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.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS-- continued
Year Ended June 30, 2018

3. Taxes Receivable - continued

Property taxes are levied 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.

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.

4. Intergovernmental Receivables

Intergovernmental receivables consist of reimbursements to the Health District for expenses in the operation of various programs. The amounts consist of a mix of state and federal dollars.

5. 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 District as of June 30. County treasurers include the counties of Stutsman and Logan.

6. Inventories

Inventories consist of pharmaceuticals and vouchers and are valued at cost. The cost of inventory is recognized as an expense in both the fund and the government-wide financial statements when used (consumption method). Reported inventories of governmental funds are offset by "nonspendable" fund balance to indicate they are not available for appropriation and are not expendable available financial resources.

7. Interfund Receivables/Payables

Cash of all funds is commingled into pooled cash. Interfund receivables and payables represent the net balance of funds that flow through the clearing accounts.

Due to other governmental funds from general fund	\$ (298,426)
Due from other governmental funds to family planning	256,363
Due to other governmental funds from tobacco fund	(11,931)
Due from other governmental funds to other governmental funds	53,994

8. Transfers

Transfers between the general fund and other governmental funds is done to reflect the matching requirements of various grants. The following is the reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended June 30, 2018:

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS— continued
Year Ended June 30, 2018

8. Transfers - continued

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund to other governmental	\$	\$ 78,642
Other governmental funds from general	78,642	
	<u>\$ 78,642</u>	<u>\$ 78,642</u>

9. Capital Assets

Activity for the year ended June 30, 2018 follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Capital assets not being depreciated				
Land	\$ 43,706	\$	\$	\$ 43,706
Capital assets being depreciated				
Building	598,013			598,013
Furniture and equipment	276,140	33,197	43,654	265,683
Total capital assets being depreciated	<u>874,153</u>	<u>33,197</u>	<u>43,654</u>	<u>863,696</u>
Less accumulated depreciation for:				
Building	182,078	15,333		197,411
Furniture and equipment	162,959	25,190	34,770	153,379
Total accumulated depreciation	<u>345,037</u>	<u>40,523</u>	<u>34,770</u>	<u>350,790</u>
Net capital assets being depreciated	529,116	(7,326)	8,884	512,906
Capital assets, net	<u>\$ 572,822</u>	<u>\$ (7,326)</u>	<u>\$ 8,884</u>	<u>\$ 556,612</u>

Depreciation expense by function:

Governmental Activities – Health and Welfare \$ 40,523

10. Accounts Payable

Accounts payable consists of amounts on open accounts for goods and services received prior to June 30, 2018 and chargeable to the appropriations for the year then ended, but paid subsequent to that date.

11. Salaries and Benefits Payable

Salaries and benefits payable consist of June's payroll and related benefits that are paid in July of the following fiscal year.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet 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 (expenses/expenditures) until then. Deferred outflows of resources related to pensions

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS— continued
Year Ended June 30, 2018

12. Deferred Outflows/Inflows of Resources - continued

resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

In addition to liabilities, the balance sheet 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 then. The District has unavailable revenue from a variety of sources in the governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

13. Long-Term Liabilities

The Health District has accrued a liability for compensated absences. Full-time employees are granted annual leave benefits from 10 to 25 days per year depending on tenure with the Health District. Part time employees working 20 hours or more per week are granted annual leave on a pro-rated basis. No more than two weeks of accumulated leave may be carried over to a new year. Sick leave accrues at the rate of one day per month up to a maximum of 90 days. Upon termination an employee will be paid for all accumulated annual leave. Upon termination no payment will be made for accrued sick leave.

The following is a summary of long-term liabilities transactions for the year ended June 30, 2018:

	June 30, 6/30/17	Additions	Reductions	June 30, 6/30/18	Due Within One Year
<i>Governmental Activities</i>					
Compensated absences	\$ 40,667	\$ 3,534	\$	\$ 44,201	\$
Net pension obligation	1,001,126	825,281		1,826,407	
Net OPEB liability		84,815		84,815	
	<u>\$ 1,041,793</u>	<u>\$ 913,630</u>	<u>\$</u>	<u>\$1,955,423</u>	<u>\$</u>

14. 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 the 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 the contributions and investment earnings of the plan.

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

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS-- continued
Year Ended June 30, 2018

14. Pension Plan - continued

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 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 totally disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS— continued
Year Ended June 30, 2018

14. Pension Plan – continued

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 3% and employer contribution rates are 11.12% 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 June 30, 2018, the Health District reported a liability of \$1,826,407 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Health District’s proportion of the net pension liability was based on the Health District’s share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 01, 2017, the Health District’s proportion was .11363 percent which was a increase of .010908 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the Health District recognized pension expense of \$272,406. At June 30, 2018, the Health District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,856	\$ 8,899
Changes of assumptions	748,950	41,194
Net difference between projected and actual earnings on pension plan investments	24,564	
Changes in proportion and differences between employer contributions and proportionate share of contributions	61,906	55,332
District contributions subsequent to the measurement date	78,675	
Total	\$ 924,951	\$ 105,425

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS— continued
Year Ended June 30, 2018

14. Pension Plan - continued

Deferred outflows of resources related to pensions in the amount of \$78,675 resulting from Health District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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	
2019	\$ 155,167
2020	188,871
2021	163,660
2022	150,568
2023	82,585

Actuarial assumptions. The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial 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 Retiree 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:

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS— continued
Year Ended June 30, 2018

14. Pension Plan - continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%	-.45%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

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

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

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 Health District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the Health District’s proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Health District’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>
District’s proportionate share of the net pension liability	\$2,479,403	\$1,826,407	\$ 1,283,141

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS— continued
Year Ended June 30, 2018

14. Pension Plan - continued

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

15. Other Post Employment Benefits

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS-- continued
Year Ended June 30, 2018

15. Other Post Employment Benefits -- continued

premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2018, the Health District reported a liability of \$84,815 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Health District's proportion of the net OPEB liability was based on the Health District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At 6/30/2017, the District's proportion was .107224 percent.

For the year ended June 30, 2018, the Health District recognized OPEB expense of \$9,989. At June 30, 2018, the Health District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 2,069
Changes of assumptions	8,215	
Net difference between projected and actual earnings on OPEB plan investments		3,207
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,498
Health District contributions subsequent to the measurement date	12,597	
Total	<u>\$ 20,812</u>	<u>\$ 6,774</u>

\$12,597 reported as deferred outflows of resources related to OPEB resulting from Health District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

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

Year ended June 30	
2019	\$ (75)
2020	(75)
2021	(75)
2022	(75)
2023	727
2024	727
2025& thereafter	287

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS— continued
Year Ended June 30, 2018

15. Other Post Employment Benefits – continued

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

Inflation	2.50 %
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount rate. The discount rate used to measure the total OPEB liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.5%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS— continued
Year Ended June 30, 2018

15. Other Post Employment Benefits – continued

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Health District's proportionate share of the net OPEB liability	\$106,178	\$84,815	\$66,503

16. Lease Income

Effective July 1, 2017, the Health District entered into a two year agreement to lease out space. The lease payments are \$426 per month.

Lease income for the year ended June 30, 2018 was \$5,112.

17. Risk Management

The Health District is exposed to various risks related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; health care of its employees and natural disasters.

The Health District participates in the North Dakota Insurance Reserve Fund (NDRIF) public entity risk pool established by the state and other political subdivisions to provide liability coverage. The purpose of the NDRIF is to act as a joint self-insurance pool for the purpose of seeking the prevention or lessening of liability claims for injuries to persons or property or claims for errors and omissions made against the Members and other parties included within the scope of coverage of the NDRIF. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and business automobile. The Health District does not exercise any control over the activities of the NDRIF.

The Health District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Health District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period.

The State Bonding Fund provides the Health District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. **CENTRAL VALLEY HEALTH DISTRICT** continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee health insurance, accident insurance and employee professional liability insurance.

For insured programs, there have been no significant reductions in insurance coverage. Settled claims have not exceeded commercial insurance coverage for the current year or the three prior years.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS— continued
Year Ended June 30, 2018

18. Federal and State Grants

In the normal course of operations, the Health District receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

19. Net Position

Governmental activities net position reported on the Government Wide Statement of Net Position at June 30, 2018 include the following:

Net investment in capital assets		
Capital assets, net of accumulated depreciation	\$	556,612
Restricted – special revenue		414,106
Unrestricted		<u>(105,679)</u>
Total Net Position	\$	<u>865,039</u>

20. Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at June 30, 2018, include the following:

	General	Family Planning	Other Governmental Funds	Total
Nonspendable	\$	\$ 11,372	\$	\$ 11,372
Restricted				
Family Planning		281,157		281,157
WIC			4,646	4,646
Title III			21,973	21,973
Women’s Way			47,239	47,239
Substance abuse			31,739	31,739
All other funds			27,352	27,352
Unassigned	971,186			971,186
	<u>\$ 971,186</u>	<u>\$ 292,529</u>	<u>\$ 132,949</u>	<u>\$ 1,396,664</u>

21. Restatement

The June 30, 2017 ending net position was restated by \$85,136. **CENTRAL VALLEY HEALTH DISTRICT** posted prior period adjustments in 2017 in order to comply with Government Accounting Standards Board (GASB) Statement No. 75 related to OPEB benefits. The adjustment amount recognizes the initial balance of the net OPEB liability associated with the **CENTRAL VALLEY HEALTH DISTRICT** participation in the NDPERS OPEB plan.

Net Position, June 30, 2017, as previously reported	\$ 1,084,455
Restatement due to implementation of GASB 75, effect on net position	<u>(85,136)</u>
Net Position, June 30, 2017, as restated	<u>\$ 999,319</u>

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
Required Supplementary Information
Budget and Actual (with Variances)
General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 297,886	\$ 519,893	\$ 537,083	\$ 17,190
Intergovernmental	116,714	222,926	247,931	25,005
Charges for services	256,075	509,256	560,812	51,556
Investment earnings	4,250	7,900	1,842	(6,058)
Miscellaneous	71,067	115,404	43,277	(72,127)
Total Revenues	<u>745,992</u>	<u>1,375,379</u>	<u>1,390,945</u>	<u>15,566</u>
EXPENDITURES				
Current:				
Health and welfare				
Salaries and benefits	536,757	998,464	947,511	50,953
Travel and meetings	17,868	27,174	20,030	7,144
Insurance	2,536	3,984	3,388	596
Supplies	59,148	107,650	180,597	(72,947)
Building utilities and maintenance	19,898	42,414	29,849	12,565
Other	44,504	82,020	103,047	(21,027)
Equipment	22,992	46,498	18,217	28,281
Total Expenditures	<u>703,703</u>	<u>1,308,204</u>	<u>1,302,639</u>	<u>5,565</u>
Excess of revenues over expenditures	<u>42,289</u>	<u>67,175</u>	<u>88,306</u>	<u>21,131</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(42,279)	(67,174)	(78,642)	(11,468)
Total Other Financing Sources (Uses)	<u>(42,279)</u>	<u>(67,174)</u>	<u>(78,642)</u>	<u>(11,468)</u>
Net change in fund balances	10	1	9,664	9,663
Fund Balances - Beginning	961,522	961,522	961,522	
Fund Balances - Ending	<u>\$ 961,532</u>	<u>\$ 961,523</u>	<u>\$ 971,186</u>	<u>\$ 9,663</u>

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
Required Supplementary Information
Budget and Actual (with Variances)
Family Planning Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
	REVENUES			
Intergovernmental	\$ 94,619	\$ 100,312	\$ 104,872	\$ 4,560
Charges for services	86,400	86,400	144,843	58,443
Investment earnings	1,000	1,000	1,000	
Miscellaneous	130,301	128,008	51,572	(76,436)
Total Revenues	<u>312,320</u>	<u>315,720</u>	<u>302,287</u>	<u>(13,433)</u>
EXPENDITURES				
Current:				
Health and welfare				
Salaries and benefits	164,719	166,190	142,951	23,239
Travel and meetings	7,696	7,676	3,125	4,551
Insurance	1,188	1,188	1,060	128
Supplies	36,243	37,513	29,250	8,263
Building utilities and maintenance	11,416	11,416	8,453	2,963
Other	91,058	91,737	64,858	26,879
Equipment			428	(428)
Total Expenditures	<u>312,320</u>	<u>315,720</u>	<u>250,125</u>	<u>65,595</u>
Excess of revenues over expenditures			<u>52,162</u>	<u>52,162</u>
Net change in fund balances			52,162	52,162
Fund balances - beginning	240,367	240,367	240,367	
Fund balances - ending	<u>\$ 240,367</u>	<u>\$ 240,367</u>	<u>\$ 292,529</u>	<u>\$ 52,162</u>

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2018

1. Budgets

The Health District adopts a budget on the modified accrual basis for the general fund and each special revenue fund. The Health District 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 District prepares a budget on or before October 1st. The budget includes proposed expenditures and the 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 appropriations 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.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
Required Supplementary Information
Schedule of Health District's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.113630%	0.102722%	0.103804%	0.117569%
Employer's proportionate share of the net pension liability (asset)	\$ 1,826,407	\$ 1,001,126	\$ 705,849	\$ 746,236
Employer's covered payroll	\$ 1,159,988	\$ 1,035,199	\$ 924,849	\$ 990,375
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	157.45%	96.71%	76.32%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

* Complete data for this schedule is not available prior to 2015

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
Required Supplementary Information
Schedule of Health District's Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 84,113	\$ 74,946	\$ 70,244	\$ 70,515
Contributions in relation to the statutorily required contribution	\$ (73,395)	\$ (73,255)	\$ (73,545)	\$ (70,515)
Contribution deficiency (excess)	\$ 10,718	\$ 1,691	\$ (3,301)	\$
Employer's covered-employee payroll	\$ 1,159,988	\$ 1,035,199	\$ 924,849	\$ 990,375
Contributions as a percentage of covered-employee payroll	6.33%	7.08%	7.95%	7.12%

* Complete data for this schedule is not available prior to 2015

Notes to Required Supplementary Information
for the Year Ended June 30, 2018

Changes of Assumptions

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 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.

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
Required Supplementary Information
Schedule of Health District's Share of Net OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2018
Employer's proportion of the net OPEB liability (asset)	0.107224%
Employer's proportionate share of the net OPEB liability (asset)	\$ 84,815
Employer's covered payroll	\$ 1,159,988
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered - employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

* Complete data for this schedule is not available prior to 2017

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
Required Supplementary Information
Schedule of Health District's Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2018
Statutorily required contribution	\$ 13,484
Contributions in relation to the statutorily required contribution	\$ (11,751)
Contribution deficiency (excess)	\$ 1,733
Employer's covered-employee payroll	\$ 1,159,988
Contributions as a percentage of covered-employee payroll	1.01%

* Complete data for this schedule is not available prior to 2017

Notes to Required Supplementary Information
for the Year Ended June 30, 2018

Changes of Assumptions

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 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

SUPPLEMENTARY INFORMATION

CENTRAL VALLEY HEALTH DISTRICT
 Jamestown, North Dakota
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2018

	Tobacco	WIC	Title III	Women's Way	Emergency Preparedness	Substance Abuse	All Other Funds	Total Nonmajor Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES								
Cash and cash equivalents		\$	\$	\$	\$	\$	\$	\$
Accounts receivable								
Taxes receivable			21,973	38,886		8,069	21,751	90,679
Due from other funds								
Intergovernmental receivables	11,931	6,365		8,353	34,966	23,670	5,601	90,886
Inventories								
Total Assets and Deferred Outflows of Resources	\$ 11,931	\$ 6,365	\$ 21,973	\$ 47,239	\$ 34,966	\$ 31,739	\$ 27,352	\$ 181,565
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable		\$	\$	\$	\$	\$	\$	\$
Salaries and benefits payable								
Due to other funds	11,931	1,719			34,966			48,616
Total Liabilities	11,931	1,719			34,966			48,616
Deferred Inflows of Resources:								
Long-term receivables								
Fund balances:								
Unreserved reported in Nonspendable								
Restricted		4,646	21,973	47,239		31,739	27,352	132,949
Total Fund Balances		4,646	21,973	47,239		31,739	27,352	132,949
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$	\$ 6,365	\$ 21,973	\$ 47,239	\$ 34,966	\$ 31,739	\$ 27,352	\$ 181,565

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018

	Tobacco	WIC	Title III	Women's Way	Emergency Preparedness	Substance Abuse	All Other Funds	Total Nonmajor Governmental Funds
REVENUES								
Intergovernmental	\$ 115,455	\$ 95,157	\$ 78,000	\$ 65,955	\$ 207,437	\$ 141,257	\$ 57,170	\$ 760,431
Charges for services			7,424					7,424
Investment earnings								
Miscellaneous		1,963	11,434	895		3,000	1,975	19,267
Total Revenues	<u>115,455</u>	<u>97,120</u>	<u>96,858</u>	<u>66,850</u>	<u>207,437</u>	<u>144,257</u>	<u>59,145</u>	<u>787,122</u>
EXPENDITURES								
Current:								
Health and welfare								
Salaries and benefits	78,676	82,959	25,955	68,328	142,134	88,428	116,947	603,427
Travel and meetings	3,208	1,026	799	641	9,549	6,836	2,352	24,411
Insurance	263	125	81	82	502			1,053
Supplies	1,786	463	879	497	1,096	3,534	607	8,862
Building utilities and maintenance	2,616	960	643	1,302	2,190			7,711
Other	28,900	7,041	46,509	6,171	51,954	31,166	19,897	191,638
Equipment	6	4,982	19	239	12	8,081		13,339
Capital outlay								
Total Expenditures	<u>115,455</u>	<u>97,556</u>	<u>74,885</u>	<u>77,260</u>	<u>207,437</u>	<u>138,045</u>	<u>139,803</u>	<u>850,441</u>
Excess (deficiency) of revenues over expenditures		(436)	21,973	(10,410)		6,212	(80,658)	(63,319)
OTHER FINANCING SOURCES (USES)								
Transfers in				11,205			67,437	78,642
Transfers out								
Total other financing sources (uses)				<u>11,205</u>			<u>67,437</u>	<u>78,642</u>
Net change in fund balances		(436)	21,973	795		6,212	(13,221)	15,323
Fund balances - beginning		5,082		46,444		25,527	40,573	117,626
Fund balances - ending	\$	\$ 4,646	\$ 21,973	\$ 47,239	\$	\$ 31,739	\$ 27,352	\$ 132,949

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
SUPPLEMENTARY INFORMATION – continued
Year Ended June 30, 2018

LIST OF OFFICIALS

James Torrance, M.D.	Chairperson
Darla Reed	Vice chairperson
Laurel Haroldson	Treasurer
Cynthia Schaar	Board member
Dennis Ova	Board member
Dean Entzminger	Board member
Heidi Larson	Board member



Schauer & Associates, P.C.

Certified Public Accountants

Ronald R. Fuchs, CPA
Duane R. Dunn, CPA
Robert A. Piatz, CPA

**INDEPENDENT AUDITORS' 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***

Governing Board
CENTRAL VALLEY HEALTH DISTRICT
Jamestown, 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, each major fund, and the aggregate remaining fund information of **CENTRAL VALLEY HEALTH DISTRICT, Jamestown, North Dakota**, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise **CENTRAL VALLEY HEALTH DISTRICT'S** basic financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **CENTRAL VALLEY HEALTH DISTRICT, Jamestown, North Dakota'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 **CENTRAL VALLEY HEALTH DISTRICT, Jamestown, North Dakota's** internal control. Accordingly, we do not express an opinion on the effectiveness of **CENTRAL VALLEY HEALTH DISTRICT, Jamestown, North Dakota'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we considered to be a significant deficiency. (2015-001)

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* – continued

Compliance and Other Matters

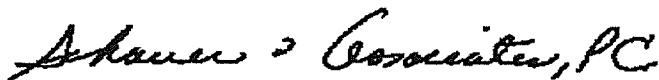
As part of obtaining reasonable assurance about whether **CENTRAL VALLEY HEALTH DISTRICT, Jamestown, North Dakota's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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*.

Central Valley Health District's Response to Finding

CENTRAL VALLEY HEALTH DISTRICT's response to the finding identified in our audit is described in the accompanying schedule of findings. **CENTRAL VALLEY HEALTH DISTRICT'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.



SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants
Jamestown, North Dakota

December 14, 2018

CENTRAL VALLEY HEALTH DISTRICT
Jamestown, North Dakota
SCHEDULE OF FINDINGS
Year Ended June 30, 2018

Finding 2015-001 Significant Deficiency - Financial Statement Preparation

Condition

Schauer & Associates, P.C. assists the Health District's management in preparing financial statements that are presented, including note disclosure in accordance with generally accepted accounting principles.

Criteria

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Cause

The Health District Board feels that it is more cost effective to ask an independent accountant to prepare the complete financial statements and disclosures, rather than to invest in ongoing specialized training that would be necessary.

Effect

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

View of Responsible Officials

The Health District Board is aware of this condition. The Health District Board will continue to request that Schauer & Associates, P.C. assist with preparation of financial statements; however the Board will instruct the District administration to provide all requested schedules.