



Financial Statements

December 31, 2019 and 2018

Upper Missouri District Health Unit

# Upper Missouri District Health Unit

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December 31, 2019 and 2018

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## Upper Missouri District Health Unit

List of Officials (unaudited)  
December 31, 2019 and 2018

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Art Schilke	President
Tim Selle	Vice-President
Shannon Shepherd	Treasurer
Joseph Adducci, MD	District Health Officer
Dan Uran	Board Member
Kathy Skarda	Board Member
Steve Kemp	Board Member
Javayne Oyloe	Executive Director
Shannon Moser	Finance Director



## Independent Auditor's Report

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

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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



**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Upper Missouri District Health Unit as of December 31, 2019 and 2018, and the respective changes in financial position, for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Notes 1 and 16 to the financial statements, the Health Unit has adopted provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of January 1, 2018. Our opinions are not modified with respect to this matter.

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of employer share of net pension liability, schedule of employer pension contributions, schedule of employer share of net OPEB liability, and schedule of employer OPEB contributions on pages 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Missouri District Health Unit, Williston, North Dakota's basic financial statements. The list of officials is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021, on our consideration of the Health Unit's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Unit's internal control over financial reporting and compliance.

*Eide Bailly LLP*

Bismarck, North Dakota  
January 25, 2021

As management of the Upper Missouri District Health Unit, we offer readers of the Upper Missouri District Health Unit's financial statements this narrative overview and analysis of the financial activities of Upper Missouri District Health Unit for the fiscal years ended December 31, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which can be found on pages 12-41 of this report.

### **Financial Highlights**

- The liabilities and deferred inflows of the Upper Missouri District Health Unit exceeded its assets and deferred outflows on December 31, 2019 by \$152,691 and on December 31, 2018 by \$99,383 (net position).
- The Health Unit's total net position decreased by \$53,308 in 2019 and decreased by \$342,120 in 2018.
- Upper Missouri District Health Unit's governmental funds reported ending fund balances of \$891,127 at December 31, 2019 and \$757,385 at December 31, 2018. This was an increase of \$133,742 for 2019 and decrease of \$38,600 for 2018.
- Upper Missouri District Health Unit's total liabilities decreased by \$561,858 in 2019 and increased by \$291,828 in 2018.

### **Overview of the Financial Statements**

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

### **Government-Wide Financial Statements**

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

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

The statement of activities presents information showing how the Upper Missouri District Health Unit's net position changed during 2019 and 2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).



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

The government-wide financial statements can be found on pages 12-15 of this report.

#### **Fund Financial Statements**

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

#### **Governmental Funds**

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

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

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

The basic governmental fund financial statements can be found on pages 16 and 18 of this report.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 20-41 of this report.



### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Upper Missouri District Health Unit, liabilities and deferred inflows exceeded assets and deferred outflows by \$152,691 on December 31, 2019 and by \$99,383 on December 31, 2018.

By far the largest portion of the Upper Missouri District Health Unit's total assets is reflected by its cash and investment of 46% on December 31, 2019 and of 53% on December 31, 2018.

The balance of unrestricted net position (deficit) was (\$531,231) on December 31, 2019 and (\$503,495) on December 31, 2018.

The government's net position decreased by \$53,308 during 2019 and decreased by \$342,120 during 2018.

**Table I**  
**Net Position**

	Governmental Activities		
	2019	2018	2017 (Restated)
<b>Assets</b>			
Current and other assets	\$ 1,684,914	\$ 1,548,003	\$ 1,627,999
Capital assets (net of accumulated depreciation)	361,540	387,232	412,924
<b>Total assets</b>	<u>\$ 2,046,454</u>	<u>\$ 1,935,235</u>	<u>\$ 2,040,923</u>
Deferred outflows of resources	<u>\$ 777,813</u>	<u>\$ 974,331</u>	<u>\$ 891,232</u>
<b>Liabilities</b>			
Current liabilities	\$ 793,787	\$ 790,618	\$ 818,105
Long-term liabilities	1,480,592	2,045,619	1,726,304
<b>Total liabilities</b>	<u>\$ 2,274,379</u>	<u>\$ 2,836,237</u>	<u>\$ 2,544,409</u>
Deferred inflows of resources	<u>\$ 702,579</u>	<u>\$ 172,712</u>	<u>\$ 145,009</u>
<b>Net position (deficit)</b>			
Net investment in capital assets	\$ 361,540	\$ 387,232	\$ 412,924
Restricted for family planning	16,880	16,880	16,263
Unrestricted	(531,111)	(503,495)	(186,450)
<b>Total net position</b>	<u>\$ (152,691)</u>	<u>\$ (99,383)</u>	<u>\$ 242,737</u>

### Governmental Activities

Governmental activities decreased net position by \$53,308 in 2019 and decreased by \$342,120 in 2018.

**Table II**  
**Changes in Net Position**

	Governmental Activities		
	2019	2018	2017 (Restated)
Revenues			
Program Revenues			
Charges for services	\$ 832,964	\$ 790,987	\$ 701,890
Operating grants and contributions	1,181,680	1,046,056	1,397,079
General Revenues			
Property taxes	776,398	631,463	585,438
General purpose donations	45,597	43,224	43,395
Statewide media campaign	259,502	282,426	311,257
Interest earnings	5,911	4,154	2,532
Miscellaneous revenues	7,436	14,087	7,683
Total revenues	<u>3,109,488</u>	<u>2,812,397</u>	<u>3,049,274</u>
Expenses			
Health and welfare	<u>3,162,796</u>	<u>3,154,517</u>	<u>3,187,253</u>
Total expenses	<u>3,162,796</u>	<u>3,154,517</u>	<u>3,187,253</u>
Change in Net Position	<u>(53,308)</u>	<u>(342,120)</u>	<u>(137,979)</u>
Net Position - January 1	<u>(99,383)</u>	<u>242,737</u>	<u>380,716</u>
Net Position - December 31	<u>\$ (152,691)</u>	<u>\$ (99,383)</u>	<u>\$ 242,737</u>

The Statement of Activities shows the cost of function services and the charges for services and grants and contributions offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues for the years ended December 31, 2019 and 2018.

**Table III  
Total and Net Cost of Services**

	Governmental Activities					
	Total Cost For Year Ended 12-31-19	Net (Expense)/ Revenue For Year Ended 12-31-19	Total Cost For Year Ended 12-31-18	Net (Expense)/ Revenue For Year Ended 12-31-18	Total Cost For Year Ended 12-31-17 (Restated)	Net (Expense)/ Revenue For Year Ended 12-31-17 (Restated)
Health and welfare	<u>\$ 3,162,796</u>	<u>\$ (1,148,152)</u>	<u>\$ 3,154,517</u>	<u>\$ (1,317,474)</u>	<u>\$ 3,187,253</u>	<u>\$ (1,088,284)</u>

#### Financial Analysis of the Government's Funds

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

#### Governmental Funds

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

Upper Missouri District Health Unit's governmental fund reported an ending fund balance of \$891,127 on December 31, 2019 and \$757,385 on December 31, 2018, an increase of \$133,742 in 2019 and a decrease of \$38,600 in 2018.

#### General Fund Budgetary Highlights

The Health Unit amended its budgets for 2019 and 2018. In 2019 revenues were decreased by \$158,406 from \$3,135,700 to \$2,977,294 and expenditures were increased by \$27,757 from \$2,987,614 to \$3,015,371. For 2018 revenues were increased by \$140,265 from \$2,835,697 to \$2,975,962 and expenditures were increased by \$27,757 from \$2,987,614 to \$3,015,371. These amendments reflect new programs being added and existing programs expiring.

## Capital Asset and Debt Administration

### Capital Assets

Upper Missouri District Health Unit's investment in capital assets for its governmental activities was \$361,540 on December 31, 2019 and \$387,232 on December 31, 2018 (net of accumulated depreciation). This investment in capital assets includes land, building, and equipment.

**Table IV**  
**Capital Assets**  
**(Net of Accumulated Depreciation)**

	Governmental Activities		
	2019	2018	2017
Land	\$ 51,380	\$ 51,380	\$ 51,380
Building	301,432	323,063	344,694
Equipment	8,728	12,789	16,850
Total capital assets	<u>\$ 361,540</u>	<u>\$ 387,232</u>	<u>\$ 412,924</u>

Additional information on the Upper Missouri District Health Unit's capital assets can be found in Note 8 on pages 27-29 of this report.

### Long-Term Debt

Upper Missouri District Health Unit had no outstanding debt as of December 31, 2019 and December 31, 2018.

### Economic Factors

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

The taxable valuation of Divide Co. decreased from \$40,309,219 in 2017 to \$39,060,294 in 2018 and increased to \$39,838,121 in 2019.

The taxable valuation of McKenzie Co. decreased from \$246,824,904 in 2017 to \$246,254,778 in 2018 and increased to \$286,074,279 in 2019.

The taxable valuation of Mountrail Co. increased from \$131,193,525 in 2017 to \$143,804,337 in 2018 and to \$148,825,942 in 2019.

The taxable valuation of Williams Co. decreased from \$360,441,470 in 2017 to \$356,856,181 in 2018 and increased to \$370,264,077 in 2019.



As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact operations of the Health Unit. Other financial impact could occur though such potential impact is unknown at this time.

**Requests for Information**

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

Upper Missouri District Health Unit  
Statements of Net Position  
December 31, 2019 and 2018

	Primary Government Governmental Activities	
	2019	2018
<b>Assets</b>		
Cash and investments	\$ 1,311,106	\$ 1,294,440
Accounts receivable (net of allowance of \$4,410 for 2019 and \$4,410 for 2018)	224,457	32,949
Intergovernmental receivable	-	74,113
Due from county treasurer	-	2,241
Inventory	148,297	143,206
Other assets	1,054	1,054
Total current assets	<u>1,684,914</u>	<u>1,548,003</u>
Capital assets (net of accumulated depreciation)		
Land	51,380	51,380
Buildings	301,432	323,063
Furniture and equipment	8,728	12,789
Total capital assets	<u>361,540</u>	<u>387,232</u>
Total assets	<u>2,046,454</u>	<u>1,935,235</u>
<b>Deferred outflows of resources</b>		
Derived from pensions	691,263	904,199
Derived from OPEB	86,550	70,132
Total deferred outflows of resources	<u>777,813</u>	<u>974,331</u>
Total assets and deferred outflows of resources	<u>\$ 2,824,267</u>	<u>\$ 2,909,566</u>

Upper Missouri District Health Unit  
Statements of Net Position  
December 31, 2019 and 2018

	Primary Government Governmental Activities	
	2019	2018
Liabilities		
Accounts payable	\$ 103,515	\$ 153,020
Salaries and benefits payable	143,007	147,670
Unearned revenue	547,265	489,928
Due after one year		
Net pension liability	1,280,759	1,870,208
Net OPEB liability	81,813	81,942
Compensated absences payable	118,020	93,469
Total liabilities	<u>2,274,379</u>	<u>2,836,237</u>
Deferred inflows of resources		
Derived from pensions	698,829	169,108
Derived from OPEB	3,750	3,604
Total deferred inflows of resources	<u>702,579</u>	<u>172,712</u>
Total liabilities and deferred inflows of resources	<u>2,976,958</u>	<u>3,008,949</u>
Net position (deficit)		
Net investment in capital assets	361,540	387,232
Restricted for family planning	16,880	16,880
Unrestricted	(531,111)	(503,495)
Total net position	<u>(152,691)</u>	<u>(99,383)</u>
Total net position and liabilities	<u>\$ 2,824,267</u>	<u>\$ 2,909,566</u>

# Upper Missouri District Health Unit

Statement of Activities  
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Primary Government Governmental Activities
Governmental activities				
Health and welfare	\$ 3,162,796	\$ 832,964	\$ 1,181,680	\$ (1,148,152)
Total governmental activities	<u>\$ 3,162,796</u>	<u>\$ 832,964</u>	<u>\$ 1,181,680</u>	<u>(1,148,152)</u>
General revenues				
Property taxes; levied for general purposes				776,398
Earnings on investments				5,911
General purpose donations				45,597
Statewide media campaign				259,502
Miscellaneous revenue				7,436
Total general revenues				<u>1,094,844</u>
Change in net position				<u>(53,308)</u>
Net position - January 1				<u>(99,383)</u>
Net position - December 31				<u>\$ (152,691)</u>



Upper Missouri District Health Unit  
Statement of Activities  
Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Governmental activities				
Health and welfare	\$ 3,154,517	\$ 790,987	\$ 1,046,056	\$ (1,317,474)
Total governmental activities	<u>\$ 3,154,517</u>	<u>\$ 790,987</u>	<u>\$ 1,046,056</u>	<u>(1,317,474)</u>
General revenues				
Property taxes; levied for general purposes				631,463
Earnings on investments				4,154
General purpose donations				43,224
Statewide media campaign				282,426
Miscellaneous revenue				14,087
Total general revenues				<u>975,354</u>
Change in net position				<u>(342,120)</u>
Net position - January 1, as previously reported				251,551
Net position - January 1, as restated				<u>242,737</u>
Net position - December 31				<u>\$ (99,383)</u>

Upper Missouri District Health Unit  
Balance Sheets – Governmental Funds  
December 31, 2019 and 2018

	General Fund	
	2019	2018
<b>Assets</b>		
Cash	\$ 1,311,106	\$ 1,294,440
Accounts receivable (net of allowance of \$4,410 for 2019 and \$4,410 for 2018)	224,457	32,949
Taxes receivable	-	2,241
Intergovernmental receivable	-	74,113
Inventory	148,297	143,206
Other assets	1,054	1,054
<b>Total assets</b>	<b>\$ 1,684,914</b>	<b>\$ 1,548,003</b>
<b>Liabilities and fund balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 103,515	\$ 153,020
Salaries and benefits payable	143,007	147,670
Unearned revenue	547,265	489,928
<b>Total liabilities</b>	<b>793,787</b>	<b>790,618</b>
<b>Fund balance</b>		
Nonspendable		
Inventory	148,297	143,206
Restricted		
Family planning	16,880	16,880
Unassigned	725,950	597,299
<b>Total fund balance</b>	<b>891,127</b>	<b>757,385</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,684,914</b>	<b>\$ 1,548,003</b>

Upper Missouri District Health Unit  
Reconciliation of Governmental Funds Balance Sheets to the Statements of Net Position  
December 31, 2019 and 2018

	2019	2018
Total fund balance for governmental funds	\$ 891,127	\$ 757,385
Total net assets reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds		
Land	51,380	51,380
Buildings, equipment, and other depreciable assets	642,919	642,919
Less accumulated depreciation	(332,759)	(307,067)
Net capital assets	<u>361,540</u>	<u>387,232</u>
Long-term liabilities applicable to the Health Unit's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
All liabilities - both current and long-term are reported in the statement of net position. Balances at December 31, 2019 and 2018 are:		
Compensated absences	(118,020)	(93,469)
Net pension liability	(1,280,759)	(1,870,208)
Net OPEB liability	(81,813)	(81,942)
Total long-term liabilities	<u>(1,480,592)</u>	<u>(2,045,619)</u>
Deferred outflows of resources and deferred inflows of resources are related to the net pension liability and the net OPEB liability and are not due in the current period and therefore, are not reported in the funds		
Deferred outflows of resources - derived from pensions	691,263	904,199
Deferred inflows of resources - derived from pensions	(698,829)	(169,108)
Deferred outflows of resources - derived from OPEB	86,550	70,132
Deferred inflows of resources - derived from OPEB	(3,750)	(3,604)
Net deferred outflows and inflows of resources	<u>75,234</u>	<u>801,619</u>
Total net position of governmental activities	<u>\$ (152,691)</u>	<u>\$ (99,383)</u>

Upper Missouri District Health Unit  
Statements of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds  
Years Ended December 31, 2019 and 2018

	General Fund	
	2019	2018
Revenues		
Property taxes	\$ 776,398	\$ 645,373
Intergovernmental revenues	1,181,680	1,046,056
Donations	45,597	43,224
Charges for services	832,964	790,987
Interest income	5,911	4,154
Statewide media campaign	259,502	282,426
Miscellaneous revenue	7,436	14,087
Total revenues	<u>3,109,488</u>	<u>2,826,307</u>
Expenditures		
Current		
Health and welfare		
Salaries and benefits	1,899,477	1,801,017
Travel	44,473	39,177
Contracted services	164,778	172,298
Operating expenses	574,623	524,027
Statewide media campaign	212,720	255,173
Utilities	12,860	15,837
Repairs and maintenance	23,106	21,516
Equipment	10,230	-
Other	33,479	35,862
Total expenditures	<u>2,975,746</u>	<u>2,864,907</u>
Net Change in Fund Balance	<u>133,742</u>	<u>(38,600)</u>
Fund Balance - January 1	<u>757,385</u>	<u>795,985</u>
Fund Balance - December 31	<u>\$ 891,127</u>	<u>\$ 757,385</u>



**Upper Missouri District Health Unit**

Reconciliation of Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances to  
the Statements of Activities  
Years Ended December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
Net change in fund balance - total governmental funds	\$ 133,742	\$ (38,600)
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in 2019 and 2018:		
Current year depreciation expense	(25,692)	(25,692)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Net increase in compensated absences	(24,551)	(23,955)
Changes to net pension liability and pension related to deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
	(153,208)	(233,364)
Changes to net OPEB liability and OPEB related to deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
	16,401	(6,599)
Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.		
(Increase)/decrease in taxes receivable	<u>-</u>	<u>(13,910)</u>
Change in net position of governmental activities	<u>\$ (53,308)</u>	<u>\$ (342,120)</u>

## **Note 1 - Principal Business Activity and Significant Accounting Policies**

### **Principal Activity**

The financial statements of the Upper Missouri District Health Unit (Health Unit) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principals.

### **Financial Reporting Entity**

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

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

### **Basis of Presentation**

Government-wide statements – The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, charges for services, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Health Unit's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

#### Fund Balance Classification Policies and Procedures

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

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

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

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

The Health Unit reports the following major governmental fund:

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

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

Government-wide – The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Health Unit gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.



Governmental fund financial statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Health Unit considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Health Unit funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Health Unit's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

#### **Cash and Investments**

Cash includes amounts in demand deposit accounts. Deposits must either be deposited with the Bank of North Dakota or in another financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge or securities equal to 110% of the uninsured balance.

State statutes authorize the health board to invest in:

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

The Health Unit had no such investments during the years ended December 31, 2019 and 2018.

#### **Inventories**

Inventory is held for resale and is valued at the lower of cost or market on a first-in, first-out basis.

Inventories for resale were valued at \$148,297 and \$143,206, respectively, for the years ended December 31, 2019 and 2018.



### Capital Assets

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

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

Land	Not depreciated
Buildings	30 years
Furniture and equipment	7-10 years

### Compensated Absences

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

### Pensions

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

### Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, 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.

#### **Implementation of GASB Statement No. 75**

As of January 1, 2018, the Health Unit adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the Net OPEB Liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. The effect of the implementation of this standard on beginning net position is disclosed in Note 16 and the additional disclosures required by these standards are included in Note 14.

#### **Deferred Outflows and Inflows of Resources**

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

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

#### **Unearned Revenues**

Unearned revenues include revenues that have been collected but the corresponding expenditures have not been incurred and the eligibility criteria have not been met.

#### **Estimates**

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

**Note 2 - Legal Compliance - Budgets**

**Budget Amendments**

The Board of Health approved the following amendments to the budget for the years ended December 31, 2019 and 2018:

For the year ended December 31, 2019:

<u>Fund</u>	Revenues		
	Original Budget	Amendment	Amended Budget
General	<u>\$ 3,135,700</u>	<u>\$ (158,406)</u>	<u>\$ 2,977,294</u>
<u>Fund</u>	Expenditures		
	Original Budget	Amendment	Amended Budget
General	<u>\$ 2,987,614</u>	<u>\$ 27,757</u>	<u>\$ 3,015,371</u>

For the year ended December 31, 2018:

<u>Fund</u>	Revenues		
	Original Budget	Amendment	Amended Budget
General	<u>\$ 2,835,697</u>	<u>\$ 140,265</u>	<u>\$ 2,975,962</u>
<u>Fund</u>	Expenditures		
	Original Budget	Amendment	Amended Budget
General	<u>\$ 2,987,614</u>	<u>\$ 27,757</u>	<u>\$ 3,015,371</u>



**Note 3 - Deposits**

At December 31, 2019 and 2018, the deposits of the Health Unit were entirely covered by federal depository insurance or by collateral held by the Health Unit's agent in the Health Unit's name. For the purpose of risk analysis, certificates of deposit are classified as deposits. The carrying amount of deposits was \$1,311,106 and \$1,294,440 and the bank balance was \$1,299,259 and \$1,290,874 for the years ended 2019 and 2018, respectively. Additional information regarding deposits and investments is included in Note 1.

Statutes require the market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. During the years ended December 31, 2019 and 2018, Health Unit deposits were adequately protected by insurance or collateral at year-end.

**Interest Rate Risk**

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

**Concentration of Credit Risk**

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

**Custodial Credit Risk**

The Health Unit does not have a formal investment policy that limits custodial risk for investments.

**Credit Risk**

The Health Unit does not have a formal investment policy that limits credit risk for investments.

**Note 4 - Accounts Receivable**

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



**Note 5 - Taxes Receivable**

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

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed. However, most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

**Note 6 - Due from County Treasurer**

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

**Note 7 - Intergovernmental Receivables**

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

**Note 8 - Capital Assets**

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

# Upper Missouri District Health Unit

Notes to Financial Statements

December 31, 2019 and 2018

## Primary Government

For the year ended December 31, 2019:

<u>Governmental Activities</u>	<u>Balance 12/31/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/19</u>
Capital assets not being depreciated				
Land	\$ 51,380	\$ -	\$ -	\$ 51,380
Capital assets, being depreciated				
Buildings	614,499	-	-	614,499
Furniture and equipment	28,420	-	-	28,420
Total capital assets, being depreciated	642,919	-	-	642,919
Less accumulated depreciation for				
Buildings	291,436	21,631	-	313,067
Furniture and equipment	15,631	4,061	-	19,692
Total accumulated depreciation	307,067	25,692	-	332,759
Total capital assets, being depreciated, net	335,852	(25,692)	-	310,160
Governmental activities-capital assets, net	\$ 387,232	\$ (25,692)	\$ -	\$ 361,540

For the year ended December 31, 2018:

<u>Governmental Activities</u>	<u>Balance 12/31/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/18</u>
Capital assets not being depreciated				
Land	\$ 51,380	\$ -	\$ -	\$ 51,380
Capital assets, being depreciated				
Buildings	614,499	-	-	614,499
Furniture and equipment	28,420	-	-	28,420
Total capital assets, being depreciated	642,919	-	-	642,919
Less accumulated depreciation for				
Buildings	269,805	21,631	-	291,436
Furniture and equipment	11,570	4,061	-	15,631
Total accumulated depreciation	281,375	25,692	-	307,067
Total capital assets, being depreciated, net	361,544	(25,692)	-	335,852
Governmental activities-capital assets, net	\$ 412,924	\$ (25,692)	\$ -	\$ 387,232

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

	2019	2018
Governmental activities		
Health and welfare	\$ 25,692	\$ 25,692

#### Note 9 - Salaries and Benefits Payable

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

#### Note 10 - Accounts Payable

Accounts payable consists of amount on open account for goods and services received prior to December 31, 2019 and 2018 and chargeable to the appropriations for the year then ended, but paid for subsequent to that date.

#### Note 11 - Long-Term Liabilities

##### Changes in Long-Term Liabilities

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

	2019				
	Balance January 1	Additions	Reduction	Balance December 31	Due Within One Year
Compensated absences	\$ 93,469	\$ 92,003	\$ (67,452)	\$ 118,020	\$ -
Net pension liability	1,870,208	-	(589,449)	1,280,759	-
Net OPEB liability	81,942	-	(129)	81,813	-
<b>Total</b>	<b>\$ 2,045,619</b>	<b>\$ 92,003</b>	<b>\$ (657,030)</b>	<b>\$ 1,480,592</b>	<b>\$ -</b>
	2018				
	Balance January 1	Additions	Reduction	Balance December 31	Due Within One Year
Compensated absences	\$ 69,514	\$ 86,723	\$ (62,768)	\$ 93,469	\$ -
Net pension liability	1,583,266	286,942	-	1,870,208	-
Net OPEB liability	73,524	8,418	-	81,942	-
<b>Total</b>	<b>\$ 1,726,304</b>	<b>\$ 382,083</b>	<b>\$ (62,768)</b>	<b>\$ 2,045,619</b>	<b>\$ -</b>

**Note 12 - Risk Management**

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

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

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

**Note 13 - Pension Plan****North Dakota Public Employees' Retirement System**

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

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

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



**Pension Benefits**

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

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

#### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

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

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

At December 31, 2019 and 2018, the Employer reported a liability of \$1,280,759 and \$1,870,208, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 1, 2019, the Employer's proportion was 0.109273 percent, which was a decrease of 0.001547 percent from its proportion measured as of July 1, 2018. At July 1, 2018, the Employer's proportion was 0.110820 percent, which was an increase of 0.012317 percent from its proportion measured as of July 1, 2017.

For the years ended December 31, 2019 and 2018, the Employer recognized pension expense of \$333,440 and \$383,244, respectively, for its proportionate share of NDPERS pension expense. At December 31, 2019 and 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 758	\$ 232,433
Changes of assumptions	478,586	410,907
Net difference between projected and actual earnings on pension plan investments	22,314	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	99,489	55,489
Employer contributions subsequent to the measurement date	90,116	-
Total	<u>\$ 691,263</u>	<u>\$ 698,829</u>
	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,951	\$ 63,628
Changes of assumptions	675,106	26,694
Net difference between projected and actual earnings on pension plan investments	-	9,099
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,832	69,687
Employer contributions subsequent to the measurement date	88,310	-
Total	<u>\$ 904,199</u>	<u>\$ 169,108</u>



For the years ended December 31, 2019 and 2018, \$90,116 and \$88,310 were reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2020 and 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:

Years Ended December 31:	
2020	\$ 49,513
2021	35,369
2022	(33,301)
2023	(111,793)
2024	(37,470)
Thereafter	-
	<u>\$ (97,682)</u>

#### Actuarial Assumptions

The total pension liability in the July 1, 2018 and July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions:

Inflation 2.50%  
Salary Increases (Payroll Growth)

Service at Beginning of Year	State Employee	Non-State Employee
0	12.00%	15.00%
1	9.50%	10.00%
2	7.25%	8.00%
3		
4		
Age		
Under 30	7.25%	10.00%
30-39	6.50%	7.50%
40-49	6.25%	6.75%
50-59	5.75%	6.50%
60+	5.00%	5.25%

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

Investment rate of return 7.50%, net of investment expenses  
Cost-of-living adjustments None



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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
Global Real Assets	19%	5.41%

#### Discount Rate

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

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

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

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

The following presents the Employer's proportionate share of the net pension liability as of December 31, 2019 and 2018, calculated using the discount rate of 7.50 percent and 6.32 percent, respectively, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 and 5.32 percent) or 1-percentage-point higher (8.50 and 7.32 percent) than the current rate:

	2019		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 2,149,333	\$ 1,280,759	\$ 1,112,323

  

	2018		
	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Employer's proportionate share of the net pension liability	\$ 2,541,266	\$ 1,870,208	\$ 1,310,233

**Pension Plan Fiduciary Net Position**

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

**Note 14 - Other Postemployment Benefits****North Dakota Public Employees Retirement System**

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

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



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

#### **OPEB Benefits**

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

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

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

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

At December 31, 2019 and 2018, the Employer reported a liability of \$81,813 and \$81,942, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At July 1, 2019, the Employer's proportion was 0.101861 percent, which was a decrease of .002183 percent from its proportion measured as of July 1, 2018. At July 1, 2018, the Employer's proportion was 0.104044 percent, which was an increase of .104044 percent from its proportion measured as of July 1, 2017.

Upper Missouri District Health Unit

Notes to Financial Statements

December 31, 2019 and 2018

For the years ended December 31, 2019 and 2018, the Employer recognized OPEB expense of \$13,572 and \$12,327, respectively. At December 31, 2019 and 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,020	\$ 2,556
Changes of assumptions	9,751	-
Net difference between projected and actual earnings on OPEB plan investments	91	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,405	1,194
Employer contributions subsequent to the measurement date	69,283	-
Total	<u>\$ 86,550</u>	<u>\$ 3,750</u>

  

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,454	\$ 1,693
Changes of assumptions	6,723	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,763
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,425	148
Employer contributions subsequent to the measurement date	54,530	-
Total	<u>\$ 70,132</u>	<u>\$ 3,604</u>

For the years ended December 31, 2019 and 2018, \$69,283 and \$54,530 were reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ended December 31, 2020 and 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:

<u>Years Ended December 31:</u>	
2020	\$ 2,304
2021	2,304
2022	3,066
2023	2,926
2024	2,082
Thereafter	<u>835</u>
	<u>\$ 13,517</u>

#### Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	Not applicable
Investment rate of return	7.25%, 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, 2019 are summarized in the following table:

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

**Discount Rate**

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

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

The following presents the net OPEB liability of the Plans as of December 31, 2019 and 2018, calculated using the discount rates of 7.25% and 7.50%, respectively, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 and 6.50% percent) or 1-percentage-point higher (8.25 and 8.50 percent) than the current rate:

	2019		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability	\$ 104,424	\$ 81,813	\$ 62,459
	2018		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 103,676	\$ 81,942	\$ 63,310

**OPEB Plan Fiduciary Net Position**

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

**Note 15 - Joint Powers Agreement**

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

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

#### Note 16 - Adoption of New Standard

As of January 1, 2018, the Health Unit adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position for governmental activities was restated to adopt the provisions of GASB Statement No. 75 to report the beginning net OPEB liability as follows:

	Governmental Activities
Net position - December 31, 2017, as previously reported	\$ 251,551
Net OPEB liability at December 31, 2017	(71,151)
Deferred outflows of resources related to contributions made after the measurement date	<u>62,337</u>
Net position - January 1, 2018, as restated	<u>\$ 242,737</u>

#### Note 17 - Subsequent Events

Subsequent to year-end, the Health Unit has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Health Unit is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of the issuance of these financial statements, the full impact to the Health Unit's financial position is not known.

Subsequent to year-end, the Health Unit received a COVID19 Funding for Local Public Health Units grant in the amount of \$1,606,977 for the grant period of May 25, 2020 to December 30, 2020. The Health Unit was able to utilize the grant to purchase trailers, computers, and other eligible expenditures of \$1,021,977. \$585,000 was remitted back to the federal government. The Health Unit received an additional COVID19 Funding for Local Public Health Units grant in the amount of \$395,639 for the grant period of January 1, 2021 to November 17, 2022.

The Health Unit has evaluated subsequent events through January 25, 2021, the date which the financial statements were available to be issued.



Required Supplementary Information  
December 31, 2019 and 2018

## Upper Missouri District Health Unit



Upper Missouri District Health Unit  
Budgetary Comparison Schedule – General Fund  
Years Ended December 31, 2019 and 2018

	2019				2018			
	Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>								
Property taxes	\$ 728,349	\$ 749,611	\$ 776,398	\$ 26,787	\$ 728,349	\$ 749,611	\$ 645,373	\$ (104,238)
Intergovernmental	1,042,458	1,090,900	1,181,680	90,780	1,042,458	1,090,900	1,046,056	(44,844)
Donations	44,840	43,037	45,597	2,560	44,840	43,037	43,224	187
Charges for services	711,153	783,733	832,964	49,231	711,153	782,401	790,987	8,586
Interest income	3,744	6,816	5,911	(905)	3,744	6,816	4,154	(2,662)
Statewide Media Deferred Adjustment	300,003	-	-	-	300,003	-	-	-
Statewide Media Campaign	300,003	297,998	259,502	(38,496)	300,003	297,998	282,426	(15,572)
Miscellaneous	5,150	5,199	7,436	2,237	5,150	5,199	14,087	8,888
<b>Total revenues</b>	<b>3,135,700</b>	<b>2,977,294</b>	<b>3,109,488</b>	<b>132,194</b>	<b>2,835,697</b>	<b>2,975,962</b>	<b>2,826,307</b>	<b>(149,655)</b>
<b>Expenditures</b>								
<b>Health and welfare</b>								
Salaries and benefits	1,930,079	1,941,853	1,899,477	(42,376)	1,930,079	1,941,853	1,801,017	(140,836)
Travel	36,428	42,775	44,473	1,698	36,428	42,775	39,177	(3,598)
Contracted services	225,807	188,642	164,778	(23,864)	225,807	188,642	172,298	(16,344)
Operating expenses	466,577	510,281	574,623	64,342	466,577	510,281	524,027	13,746
Statewide Media Campaign	270,003	268,696	212,720	(55,976)	270,003	268,696	255,173	(13,523)
Utilities	14,000	13,729	12,860	(869)	14,000	13,729	15,837	2,108
Repairs and maintenance	23,000	22,430	23,106	676	23,000	22,430	21,516	(914)
Equipment	-	1,099	10,230	9,131	-	1,099	-	(1,099)
Other	21,720	25,866	33,479	7,613	21,720	25,866	35,862	9,996
<b>Total expenditures</b>	<b>2,987,614</b>	<b>3,015,371</b>	<b>2,975,746</b>	<b>(39,625)</b>	<b>2,987,614</b>	<b>3,015,371</b>	<b>2,864,907</b>	<b>(150,464)</b>
<b>Net Change in Fund Balance</b>	<b>148,086</b>	<b>(38,077)</b>	<b>133,742</b>	<b>171,819</b>	<b>(151,917)</b>	<b>(39,409)</b>	<b>(38,600)</b>	<b>809</b>
<b>Fund Balance - January 1</b>	<b>757,385</b>	<b>757,385</b>	<b>757,385</b>	<b>-</b>	<b>795,985</b>	<b>795,985</b>	<b>795,985</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 905,471</b>	<b>\$ 719,308</b>	<b>\$ 891,127</b>	<b>\$ 171,819</b>	<b>\$ 644,068</b>	<b>\$ 756,576</b>	<b>\$ 757,385</b>	<b>\$ 809</b>

Upper Missouri District Health Unit  
Schedules of Employer Pension Liability and Pension Contributions  
December 31, 2019 and 2018

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

Pension Plan	Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	Employer's Covered-Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
NDPERS	6/30/2014	0.108054%	\$ 685,841	\$ 910,227	205.47%	78.18%
NDPERS	6/30/2015	0.093729%	637,340	826,013	77.16%	77.70%
NDPERS	6/30/2016	0.105597%	1,029,146	1,064,173	96.71%	71.10%
NDPERS	6/30/2017	0.098503%	1,583,266	1,005,563	157.45%	62.65%
NDPERS	6/30/2018	0.110820%	1,870,208	1,138,472	164.27%	62.80%
NDPERS	6/30/2019	0.109273%	1,280,759	1,136,626	112.68%	71.66%

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

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Employer's Covered-Payroll (d)	Contributions as a Percentage of Covered-Payroll (a/d)
NDPERS	12/31/2014	\$ 68,858	\$ (68,858)	\$ -	\$ 910,227	7.56%
NDPERS	12/31/2015	72,050	(72,050)	-	826,013	8.72%
NDPERS	12/31/2016	77,044	(77,044)	-	1,064,173	7.24%
NDPERS	12/31/2017	72,915	(72,915)	-	1,005,563	7.25%
NDPERS	12/31/2018	83,853	(83,853)	-	1,138,472	7.37%
NDPERS	12/31/2019	82,753	(82,753)	-	1,136,626	7.28%

Upper Missouri District Health Unit  
Schedules of Employer OPEB Liability and OPEB Contributions  
December 31, 2019 and 2018

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

Other Post Employment Benefits Plan	Measurement Date	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset) (a)	Employer's Covered- Employee Payroll (b)	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
NDRHICF	6/30/2018	0.104044%	\$ 81,942	\$ 1,138,472	7.20%	61.89%
NDRHICF	6/30/2019	<u>0.101861%</u>	<u>81,813</u>	<u>1,136,626</u>	<u>7.20%</u>	<u>63.13%</u>

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

Other Post Employment Benefits Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a+b)	Employer's Covered- Employee Payroll (d)	Statutorily Required Contribution (a/d)
NDRHICF	12/31/2018	\$ 13,354	\$ (12,327)	\$ 1,027	\$ 1,138,472	1.08%
NDRHICF	12/31/2019	<u>13,219</u>	<u>(13,572)</u>	<u>(353)</u>	<u>1,136,626</u>	<u>1.19%</u>

#### **Note 1 - Budgets**

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

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

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

#### **Note 2 - Schedule of Employer Pension Liability and Pension Contributions**

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

##### **Changes of Benefit Terms**

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



#### **Changes of Assumptions**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

#### **Note 3 - Schedule of Employer OPEB Liability and OPEB Contributions**

GASB Statement No. 75 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, Upper Missouri District Health Unit will present information for those years for which information is available.

#### **Changes of Benefit Terms**

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

#### **Changes of Assumptions**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%.

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Upper Missouri District Health Unit (Health Unit), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Health Unit's basic financial statements and have issued our report thereon dated January 25, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Health Unit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Unit's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001, 2019-002, 2018-001, and 2018-002 that we consider to be material weaknesses.

**Compliance and Other Matters**

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

**Response to Findings**

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

**Purpose of this Report**

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

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

Bismarck, North Dakota  
January 25, 2021



**2019-001 and 2018-001 Preparation of Financial Statements**

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

Condition: The Health Unit does not have an internal control system designed to provide for the preparation of the financial statement being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements and to prepare the GASB 68 and 75 adjustments and footnote disclosures. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause: The Health Unit does not have staff trained in GASB reporting standards.

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

Recommendations: It is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Health Unit and changes in reporting requirements.

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

**2019-002 and 2018-002 Material Audit Adjustments**

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

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

Cause: The Health Unit has not trained staff in the recording of certain transactions.

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

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

Views of responsible officials: The Health Unit has received training in the recording of these transactions.