



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Nelson Griggs District Health Unit

McVile, North Dakota

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

*Client Code: PS32030*



Photo credit: North Dakota Tourism



Office of the  
State Auditor

**NELSON GRIGGS DISTRICT HEALTH UNIT**

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For the Years Ended December 31, 2019 and 2018

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**Nelson Griggs District Health Unit**  
Health Unit Officials and Audit Personnel  
December 31, 2019 and 2018

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December 31, 2019

Don Fougner	President
Ed Poehls	Board Member
Denise Uriell	Board Member
Becky Muncy	Board Member
Becky Ellefson	Board Member
Tamara Czarnik	Board Member
Julie Ferry	Administrator
DeAnn Miller	RN
Tasha Overby	Administrative Assistant

December 31, 2018

Don Fougner	President
Ed Poehls	Board Member
Denise Uriell	Board Member
Becky Muncy	Board Member
Becky Ellefson	Board Member
Tamara Czarnik	Board Member
Julie Ferry	Administrator
DeAnn Miller	RN
Tasha Overby	Administrative Assistant

**AUDITOR PERSONNEL**

Heath Erickson, CPA	Audit Manager
Peishan Merrick	In-Charge

STATE AUDITOR  
Joshua C. Gallion



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## INDEPENDENT AUDITOR'S REPORT

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Health District Board  
Nelson Griggs District Health Unit  
McVille, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Nelson Griggs District Health Unit, McVille, North Dakota, as of and for the years ended December 31, 2019 and December 31, 2018, and the related notes to the financial statements, which collectively comprise 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 the modified cash basis of accounting described in Note 1 to the financial statements; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

### **Opinions**

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

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. Nelson Griggs District Health Unit prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2020 on our consideration of the Nelson Griggs District Health Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Nelson Griggs District Health Unit's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
July 20, 2020

**NELSON GRIGGS DISTRICT HEALTH UNIT**  
Statement of Net Position – Modified Cash Basis  
December 31, 2019

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 346,351
Capital Assets	
Depreciable, Net	<u>2,200</u>
Total Assets	<u>\$ 348,551</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 2,200
Unrestricted	<u>346,351</u>
Total Net Position	<u><u>\$ 348,551</u></u>

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

**NELSON GRIGGS DISTRICT HEALTH UNIT**  
Statement of Activities – Modified Cash Basis  
For the 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
<b>Governmental Activities</b>				<b>Governmental Activities</b>
Health & Welfare	\$ 509,266	\$ 157,254	\$ 198,755	\$ (153,257)
	<b>General Revenues</b>			
	Property Taxes			\$ 73,269
	Unrestricted Grants and Contributions			20,195
	Interest			1,079
	Miscellaneous Revenue			35,384
	Total General Revenues			\$ 129,927
	Change in Net Position			\$ (23,330)
	Net Position - January 1			\$ 371,881
	Net Position - December 31			\$ 348,551

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

**NELSON GRIGGS DISTRICT HEALTH UNIT**  
Balance Sheet – Governmental Funds – Modified Cash Basis  
December 31, 2019

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash	<u>\$ 346,351</u>
Total Assets	<u>\$ 346,351</u>
<b>FUND BALANCE</b>	
Unassigned	
General Fund	<u>\$ 346,351</u>
Total Fund Balances	<u>\$ 346,351</u>

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



**NELSON GRIGGS DISTRICT HEALTH UNIT**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis  
December 31, 2019

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Total *Fund Balances* for Governmental Funds \$ 346,351

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. 2,200

Total Net Position of Governmental Activities \$ 348,551

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

**NELSON GRIGGS DISTRICT HEALTH UNIT**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis  
For the Year Ended December 31, 2019

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	<u>General Fund</u>
<b>REVENUES</b>	
Property Taxes	\$ 73,269
Intergovernmental	218,950
Charges for Services	157,254
Interest Income	1,079
Miscellaneous	<u>35,384</u>
Total Revenues	<u>\$ 485,936</u>
<b>EXPENDITURES</b>	
Health and Welfare	<u>\$ 506,915</u>
Total Expenditures	<u>\$ 506,915</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (20,979)</u>
Net Change in Fund Balances	<u>\$ (20,979)</u>
Fund Balance - January 1	<u>\$ 367,330</u>
Fund Balance - December 31	<u><u>\$ 346,351</u></u>

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

**NELSON GRIGGS DISTRICT HEALTH UNIT**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities – Modified Cash Basis  
For the Year Ended December 31, 2019

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Net Change in *Fund Balances* - Total Governmental Funds \$ (20,979)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense in the current year.

Current Year Depreciation Expense (2,351)

Change in Net Position of Governmental Activities \$ (23,330)

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

**NELSON GRIGGS DISTRICT HEALTH UNIT**  
Statement of Net Position – Modified Cash Basis  
December 31, 2018

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	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 367,330
Capital Assets	
Depreciable, Net	<u>4,551</u>
Total Assets	<u>\$ 371,881</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 4,551
Unrestricted	<u>367,330</u>
Total Net Position	<u><u>\$ 371,881</u></u>

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

**NELSON GRIGGS DISTRICT HEALTH UNIT**  
Statement of Activities – Modified Cash Basis  
For the Year Ended December 31, 2018

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Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Health & Welfare	<u>\$ 412,331</u>	<u>\$ 126,806</u>	<u>\$ 157,414</u>	<u>\$ (128,111)</u>
<b>General Revenues</b>				
Property Taxes				\$ 73,528
Unrestricted Grants and Contributions				20,400
Interest				864
Miscellaneous Revenue				<u>14,778</u>
Total General Revenues				<u>\$ 109,570</u>
Change in Net Position				<u>\$ (18,541)</u>
Net Position - January 1				<u>\$ 390,422</u>
Net Position - December 31				<u><u>\$ 371,881</u></u>

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

**NELSON GRIGGS DISTRICT HEALTH UNIT**  
Balance Sheet – Governmental Funds – Modified Cash Basis  
December 31, 2018

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	General Fund
<b>ASSETS</b>	
Cash	<u>\$ 367,330</u>
Total Assets	<u><u>\$ 367,330</u></u>
<b>FUND BALANCE</b>	
Unassigned General Fund	<u>\$ 367,330</u>
Total Fund Balances	<u>\$ 367,330</u>
Total Liabilities and Fund Balances	<u><u>\$ 367,330</u></u>

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

**NELSON GRIGGS DISTRICT HEALTH UNIT**

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position – Modified Cash Basis  
December 31, 2018

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Total *Fund Balances* for Governmental Funds \$ 367,330

Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds. 4,551

Total Net Position of Governmental Activities \$ 371,881

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

**NELSON GRIGGS DISTRICT HEALTH UNIT**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Modified Cash Basis  
For the Year Ended December 31, 2018

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	General Fund
<b>REVENUES</b>	
Property Taxes	\$ 73,528
Intergovernmental	177,814
Charges for Services	126,806
Interest Income	864
Miscellaneous	<u>14,778</u>
Total Revenues	<u>\$ 393,790</u>
<b>EXPENDITURES</b>	
Health and Welfare	<u>\$ 409,980</u>
Total Expenditures	<u>\$ 409,980</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (16,190)</u>
Net Change in Fund Balances	<u>\$ (16,190)</u>
Fund Balance - January 1	<u>\$ 383,520</u>
Fund Balance - December 31	<u><u>\$ 367,330</u></u>

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



**NELSON GRIGGS DISTRICT HEALTH UNIT**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities – Modified Cash Basis  
For the Year Ended December 31, 2018

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Net Change in *Fund Balances* - Total Governmental Funds \$ (16,190)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense in the current year.

Current Year Depreciation Expense (2,351)

Change in Net Position of Governmental Activities \$ (18,541)

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Nelson Griggs District Health Unit (“Health Unit”) have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

**Reporting Entity**

The accompanying financial statements present the activities of the Health Unit. The Health Unit has considered all potential component units for which the Health Unit is financially accountable and other organizations for which the nature and significance of their relationships with the Health Unit 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 Health Unit to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Health Unit.

Based on these criteria, there are no component units to be included within the 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, and other non-exchange transactions.

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

*Fund Financial Statements:* The fund financial statements provide information about the Health Unit’s fund. The emphasis of fund financial statements is on the major governmental fund.

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.

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

*Government-wide Financial Statements* - The government-wide fund financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

*Governmental Fund Financial Statements* - Governmental funds are reported using the current financial resources measurement focus and the modified cash basis of accounting. Only current financial assets are generally included on their balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources and uses of current financial resources.

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, both restricted and unrestricted net position is available to finance the program. It is the Health Unit’s policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

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

**Basis of Accounting**

Government-wide financial statements are prepared on the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions with a provision for depreciation. The modified cash basis of accounting is modified for recording investments at current fair value, rather than cost. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The Health Unit’s governmental funds use the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received in cash and expenditures are recorded at the time of disbursement.

If the Health District utilized the basis of accounting recognized as generally accepted, the government-wide statements would be prepared on the accrual basis of accounting and the governmental fund financial statements would be prepared on the modified accrual basis of accounting.

**Cash**

Cash includes amounts in demand deposits and money market accounts.

The investments of the Health Unit consist of certificates of deposit stated at cost with maturities in excess of three months.

**Capital Assets**

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

Vehicle	5-10
Equipment	5-10

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS’ fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension note disclosure. Note 5, is shown as additional information to the users of the financial statements.

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS), and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net OPEB liability is not reported under the modified cash basis of accounting, but the information disclosed in the OPEB note disclosure. Note 6, is shown as additional information to the users of the financial statements for.

**Fund Balances**

*Unassigned Fund Balances.* Unassigned fund balance shall mean the portion of the gross fund balance that is not expendable (such as inventories) or is legally earmarked for a specific use (such as the self-funded reserves program).

**Net Position**

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

Unrestricted net position consists of activity related to the general fund and negative fund balances.

**NOTE 2: DEPOSITS**

**Custodial Credit Risk**

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

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

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

At year ended December 31, 2019, the Health Unit's carrying amount of deposit was \$346,351 and the bank balances totaled \$364,744, all of which was covered by Federal Depository Insurance.

At year ended December 31, 2018, the Health Unit's carrying amount of deposits totaled \$367,330, and the bank balances totaled \$383,189, all of which was covered by Federal Depository Insurance.

**NOTE 3: PROPERTY TAXES**

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; 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 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.

**NOTE 4: CAPITAL ASSETS**

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

<b>2019</b>	<b>Balance</b>				<b>Balance</b>
<b>Primary Government</b>	<b>Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Dec 31</b>
Equipment	\$ 11,755	\$ -	\$ -	\$ -	\$ 11,755
Less: Accumulated Depreciation	7,204	2,351	-	-	9,555
<b>Total Capital Assets, Net</b>	<b>\$ 4,551</b>	<b>\$ (2,351)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,200</b>

<b>2018</b>	<b>Balance</b>				<b>Balance</b>
<b>Primary Government</b>	<b>Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Dec 31</b>
Equipment	\$ 11,755	\$ -	\$ -	\$ -	\$ 11,755
Less: Accumulated Depreciation	4,853	2,351	-	-	7,204
<b>Capital Assets, Net</b>	<b>\$ 6,902</b>	<b>\$ (2,351)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,551</b>

Depreciation expense was charged to the Health and Welfare function.

**NOTE 5: PENSION PLAN**

**General Information about the NDPERS Pension Plan**

**North Dakota Public Employees Retirement System (Main System)**

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

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

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

**Pension Benefits**

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

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

**Death and Disability Benefits**

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition 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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

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

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

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

At December 31, 2019 and 2018, the employer reported a liability of \$171,720 and \$240,704, respectively, for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The health unit's proportion of the net pension liability was based on the health unit's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019 and 2018, the Employer's proportion was .014651 and .014263 percent, respectively, which was an increase of .000388 percent for 2019 and an increase of .000497 percent for 2018.

There were no deferred inflows or outflows of resources reported on the Health Unit's financial statements as they are reporting on the modified cash basis of accounting.

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

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

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

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

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

**Discount Rate**

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

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

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

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount rate**

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

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Proportionate Share of the Net Pension Liability	\$ 246,210	\$ 171,720	\$ 109,136

**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 6 OPEB PLAN**

**General Information about the OPEB Plan**

***North Dakota Public Employees Retirement System***

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

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



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 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 al-so required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the 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 \$10,969 and \$10,546, respectively, and for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 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 June 30, 2019 and 2018 the Employer's proportions were 0.013657 percent and 0.013391 percent, respectively.

There were no deferred inflows or outflows of resources reported on the Health Unit's financial statements as they are reporting on the modified cash basis of accounting.

**Actuarial assumptions**

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

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

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 re-turn (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 as-set class included in the RHIC's target asset allocation as of July 1, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate Share of the Net OPEB Liability	\$ 14,001	\$ 10,969	\$ 8,374

**NOTE 7: RISK MANAGEMENT**

The 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.

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Health Unit pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. For the Health Unit the coverage by NDRIF is limited to losses of one million dollars per occurrence for general liability, one million for automobile, and \$9,227 for public assets/mobile equipment and portable property. The Health Unit purchases commercial insurance for general liability which has an aggregate limit of \$2,000,000.

The Health Unit also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Health Unit pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the Health Unit with blanket fidelity bond coverage in the amount of \$176,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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



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

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Independent Auditor's Report

Health District Board  
Nelson Griggs District Health Unit  
McVille, 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 Nelson Griggs District Health Unit as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Nelson Griggs District Health Unit's basic financial statements, and have issued our report thereon dated July 20, 2020.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2019-001, and 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *schedule of audit findings* as items 2019-003 and 2019-004 to be a significant deficiency.

**NELSON GRIGGS DISTRICT HEALTH UNIT**

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

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**Compliance and Other Matters**

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

**Nelson Griggs District Health Unit's Response to Findings**

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

**Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
July 20, 2020

**NELSON GRIGGS DISTRICT HEALTH UNIT**  
Summary of Auditor's Results  
For the Years Ended December 31, 2019 and 2018

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**Financial Statements**

Type of Report Issued?	
Governmental Activities	Unmodified
Major Funds	Unmodified

**Internal control over financial reporting**

Material weaknesses identified?	<u>  X  </u> Yes	<u>      </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u> Yes	<u>      </u> None Noted
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> None Noted

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

**Condition**

Nelson Griggs District Health Unit has limited staff members responsible for all of the accounting functions. A lack of segregation of duties exists because the limited staff is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general, and perform bank reconciliations.

**Effect**

The lack of segregation of duties increases the risk of material misstatement of the Nelson Griggs District Health Unit's financial condition, whether due to error or fraud.

**Cause**

Management has chosen to allocate its economic resources to other functions of Nelson Griggs District Health Unit.

**Criteria**

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

**Repeat Finding**

Yes.

**Recommendation**

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

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

**Nelson Griggs District Health Unit's Response**

I agree there is a lack of segregation of duties in an office with 2.8 full-time employees. Nelson-Griggs District Health Unit attempts to segregate duties as much as possible with the Administrator providing oversight of the accounting functions performed by the Administrative Assistant. All financial records are available for review at any time. The Board of Health will assess the situation and review if changes should be made at their next meeting.

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

**Condition**

Nelson Griggs District Health Unit currently does not prepare the financial statements, including the accompanying note disclosures, as required by the modified cash basis of accounting. Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

**Effect**

There is an increased risk of material misstatement to Nelson Griggs District Health Unit's financial statements.

**Cause**

Management chooses not to allocate Nelson Griggs District Health Unit resources for preparation of the financial statements.

**Criteria**

Nelson Griggs District Health Unit is responsible for the preparation of its annual financial statements and related note disclosures to ensure they are reliable, accurate, free of material misstatement, and in accordance with the modified cash basis of accounting.

**Repeat Finding**

Yes.

**Recommendation**

We recommend Nelson Griggs District Health Unit consider the additional risk of having the auditors assist in the preparation of the financial statements, note disclosures, and adjusting entries and consider preparing them in the future.

**Nelson Griggs District Health Unit's Response**

I agree with the finding. The Nelson-Griggs District Health Unit Board will continue to request assistance with preparation of financial statements and note disclosures, rather than invest in ongoing specialized training to complete this task.



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

**Condition**

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

**Effect**

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

**Cause**

The Nelson Griggs District Health Unit may not have considered preparing a fraud risk assessment.

**Criteria**

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

**Repeat Finding**

Yes.

**Recommendation**

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

**Nelson Griggs District Health Unit's Response**

I agree with the finding and will present the fraud risk assessment process and checklist to the Nelson-Griggs District Health Unit Board for their assessment and review.

**2019-004      COMPENSATED ABSENCES COMPLIANCE ISSUE – SIGNIFICANT DEFICIENCY**

**Condition**

Nelson-Griggs District Health Unit did not set up accurate staff accruals in its software for vacation and sick leave according to its annual and personal leave policy.

**Effect**

Nelson Griggs District Health Unit may not be in compliance with its annual and personal leave policy.

**Cause**

Nelson Griggs District Health Unit does not review the monthly accrued vacation and personal leave hours to its vacation and personal leave policy.

**Criteria**

Per the vacation and personal leave policy, eligible employees will accrue sick leave benefits at the rate of 12 days per year (1 day per month). Additionally, employees with 19 or more years of service will be awarded monthly vacation benefits of 16 hours.

**Repeat Finding**

Yes.

**Recommendation**

We recommend Nelson Griggs District Health Unit to review their monthly vacation and personal leave accruals to ensure compliance with its annual and personal leave policy.

**Nelson Griggs District Health Unit's Response**

I agree with the finding. The QuickBooks Professional accounting software has a feature that will accrue vacation and sick leave for employees once hired and employed. The sick leave rate had entered incorrectly for accrual. The issue has been addressed. Manual computation of accrual hours has been completed for all employees with corrections made where needed. Balances have been checked for accuracy and compliance with the approved policies. No incorrect payments have been paid out to employees.

STATE AUDITOR  
Joshua C. Gallion



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## GOVERNANCE COMMUNICATION

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Health District Board  
Nelson Griggs District Health Unit  
McVille, North Dakota

We have audited the financial statements of the governmental activities, and the major fund of Nelson Griggs District Health Unit, McVille, North Dakota, for the years ended December 31, 2019 and 2018 which collectively comprise Nelson Griggs District Health Unit's basic financial statements, and have issued our report thereon dated July 20, 2020. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance**

As stated in our engagement letter dated May 26, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

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

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

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

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Nelson Griggs District Health Unit are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended December 31, 2019 or 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated July 20, 2020.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Health Unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Difficulties Encountered in Performing the Audit**

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

**Other Audit Findings or Issues**

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

This information is intended solely for the use of the Health District Board and management of Nelson Griggs District Health Unit, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Nelson Griggs District Health Unit for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve Nelson Griggs District Health Unit.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
July 20, 2020



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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