

**UPPER MISSOURI DISTRICT HEALTH UNIT
WILLISTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF DISTRICT BOARD OF HEALTH OFFICERS
DECEMBER 31, 2020

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

INDEPENDENT AUDITOR'S REPORT

To the District Board of Health
Upper Missouri District Health Unit
Williston, North Dakota

Report on the Financial Statements

We have audited the accompanying statement of net position and balance sheet of the governmental activities and the major fund of Upper Missouri District Health Unit, as of December 31, 2020, and were engaged to audit the statement of activities, statement of revenues, expenditures and changes in fund balance and the related notes to the financial statements for the year ended December 31, 2020, which collectively comprise Upper Missouri District Health Unit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Because of the matter described in the Basis for Disclaimer of Opinions paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of activities, the statement of revenues, expenditures, and changes in fund balance and the related notes to the financial statements.

We conducted our audit of the statement of net position and balance sheet in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the 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 these 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 judgement, 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.

Summary of Audit Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Statement of Net Position	Unmodified
Statement of Activities	Disclaimer
Balance Sheet - Governmental Funds	Unmodified
Statement of Revenues, Expenses, and Changes in Fund Balances- Governmental Funds	Disclaimer

Basis for Disclaimer of Opinions on Statement of Activities and Statement of Revenues, Expenses, and Changes in Fund Balances – Governmental Funds

Upper Missouri District Health Unit did not maintain detailed financial reports and supporting documentation for expenditures for the year ended December 31, 2020. The total amount of expenditures materially affects the net change in fund balances and the change in net position for the year ended December 31, 2020.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinions on Statement of Activities and Statement of Revenues, Expense, and Changes in Fund Balances – Governmental Funds paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for the audit opinions on the Statement of Activities and Statement of Revenues, Expenses, and Changes in Fund Balances – Governmental Funds of Upper Missouri District Health Unit. Accordingly, we do not express opinions on the changes in net position and net change in fund balance of the governmental fund.

Opinion on the Statement of Net Position and Balance Sheet – Governmental Funds

In our opinion, the Statement of Net Position and Balance Sheet – Governmental Funds, referred to in the first paragraph presents fairly, in all material respects, the financial position of Upper Missouri District Health Unit as of December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Management's Discussion and Analysis, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer's Share of Net OPEB Liability, Schedule of Employer Contributions – Pension, Schedule of Employer Contributions – OPEB, and Notes to the Required Supplementary Information, as listed in the table of contents be

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

Other Information

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide an assurance on it.

The Schedule of District Board of Health Officers has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2022 on our consideration of Upper Missouri District Health Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Upper Missouri District Health Unit's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upper Missouri District Health Unit's internal control over financial reporting and compliance.



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

January 26, 2022

UPPER MISSOURI DISTRICT HEALTH UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

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 year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which can be found on pages 14-17 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, 2020 by \$156,699 (net position). The unrestricted portion of net position is showing a deficit of \$773,644, which when positive, may be used to meet the Health Unit's ongoing obligations to creditors.
- The Health Unit's total net position decreased by \$4,008 in 2020.
- Upper Missouri District Health Unit's governmental funds reported ending fund balances of \$1,295,263 at December 31, 2020. This was an increase of \$404,136 for 2020.
- Upper Missouri District Health Unit's total liabilities decreased by \$2,419,054 in 2020.

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 2020. 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.

UPPER MISSOURI DISTRICT HEALTH UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2020

The government-wide financial statements can be found on pages 12-13 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 14-17 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 pages 18-36 of this report.

UPPER MISSOURI DISTRICT HEALTH UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2020

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 its assets and deferred outflows on December 31, 2020 by \$156,699.

The balance of unrestricted net position was (\$773,644) on December 31, 2020.

Table I
Net Position

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$2,247,109	\$1,684,914
Capital assets (net of accumulated depreciation)	616,945	361,540
Total Assets	<u>2,864,054</u>	<u>2,046,454</u>
Deferred outflows of resources	<u>2,194,387</u>	<u>777,813</u>
Liabilities		
Current liabilities	1,024,743	793,787
Long-term liabilities	<u>3,668,690</u>	<u>1,480,592</u>
Total Liabilities	<u>4,693,433</u>	<u>2,274,379</u>
Deferred inflows of resources	<u>521,707</u>	<u>702,579</u>
Net position (deficit)		
Net Investment in capital assets	616,945	361,540
Unrestricted	<u>(773,644)</u>	<u>(514,231)</u>
Total net position	<u>\$ (156,699)</u>	<u>\$ (152,691)</u>

UPPER MISSOURI DISTRICT HEALTH UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2020

Governmental Activities

Governmental activities decreased net position by \$4,008 in 2020.

Table II
Changes in Net Position

	Governmental Activities	
	2020	2019
Revenues		
Program Revenues		
Charges for Services	\$ 988,725	\$ 1,092,466
Operating grants and contributions	1,803,007	1,181,680
General Revenues		
Property taxes	869,736	776,398
General purpose donations	39,643	45,597
Interest earnings	2,093	5,911
Contract for services	401	-
Miscellaneous revenue	7,580	7,436
Total Revenues	<u>3,711,185</u>	<u>3,109,488</u>
Expenses		
Health and welfare	<u>3,715,193</u>	<u>3,162,796</u>
Total expenses	<u>3,715,193</u>	<u>3,162,796</u>
Change in Net Position	(4,008)	(53,308)
Net Position - January 1	<u>(152,691)</u>	<u>(99,383)</u>
Net Position - December 31	<u><u>\$(156,699)</u></u>	<u><u>\$ (152,691)</u></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, 2020.

Table III
Total and Net Cost of Services

	Governmental Activities			
	Total Cost For Year Ended 2020	Net (Expense)/ Revenue For Year Ended 2020	Total Cost For Year Ended 2019	Net (Expense)/ Revenue For Year Ended 2019
Health and welfare	<u>\$ 3,715,193</u>	<u>\$ (923,461)</u>	<u>\$ 3,162,796</u>	<u>\$ (1,148,152)</u>

UPPER MISSOURI DISTRICT HEALTH UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2020

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 \$1,295,263 on December 31, 2020, an increase of \$404,136 in 2020.

General Fund Budgetary Highlights

The Health Unit amended its budgets for 2020. In 2020 revenues were increased by \$1,528,319 from \$2,907,053 to \$4,435,372 and expenditures were increased by \$1,090,482 from \$3,106,267 to \$4,196,749. These amendments reflect new COVID response programs being added.

Capital Asset and Debt Administration

Capital Assets

Upper Missouri District Health Unit's investment in capital assets for its governmental activities was \$616,945 on December 31, 2020 (net of accumulated depreciation). This investment in capital assets includes land, building, and equipment/furniture.

Table IV
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities	
	2020	2019
Land	\$ 51,380	\$ 51,380
Building	279,800	301,432
Equipment/Furniture	280,765	8,728
Construction in Progress	5,000	-
Total Capital Assets	<u>\$ 616,945</u>	<u>\$ 361,540</u>

Additional information on the Upper Missouri District Health Unit's capital assets can be found in Note 5 on page 24 of this report.

Long-Term Debt

Upper Missouri District Health Unit had no outstanding debt as of December 31, 2020.

UPPER MISSOURI DISTRICT HEALTH UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2020

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 Coronavirus hit the USA in January of 2020 and with that came a decline in the most industries due to business lock downs. Federal grants increased in 2020 to help Upper Missouri District Health Unit respond to the pandemic.

The taxable valuation of Divide Co. increased from \$39,060,294 in 2018 to \$39,838,121 in 2019 and to \$39,156,982 in 2020.

The taxable valuation of McKenzie Co. increased from \$246,074,504 in 2018 to \$285,891,586 in 2019 and to \$336,011,651 in 2020.

The taxable valuation of Mountrail Co. increased from \$129,982,196 in 2018 to \$143,804,337 in 2019 and to \$148,825,942 in 2020.

The taxable valuation of Williams Co. increased from \$356,700,109 in 2018 to \$370,418,866 in 2019 and to \$394,584,690 in 2020.

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
STATEMENT OF NET POSITION
DECEMBER 31, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,645,453
Accounts receivable	405,051
Inventory	193,972
Prepaid expenses	2,633
Total current assets	<u>2,247,109</u>

Capital assets, net of accumulated depreciation

Land	51,380
Building	279,800
Furniture and equipment	280,765
Construction in progress	5,000
Total capital assets	<u>616,945</u>
Total assets	<u>2,864,054</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow - pension	2,167,020
Deferred outflow - OPEB	27,367
Total deferred outflows of resources	<u>2,194,387</u>

LIABILITIES

Current liabilities:

Accounts payable	196,450
Accrued wages payable	198,398
Unearned revenue	556,998
Accrued compensated absences - due within one year	72,897
Total current liabilities	<u>1,024,743</u>

Non-current liabilities:

Accrued compensated absences - due in more than one year	45,123
Net pension liability	3,538,079
Net OPEB liability	85,488
Total non-current liabilities	<u>3,668,690</u>
Total liabilities	<u>4,693,433</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflow - pension	518,475
Deferred inflow - OPEB	3,232
Total deferred inflows of resources	<u>521,707</u>

NET POSITION

Net investment in capital assets	616,945
Unrestricted	<u>(773,644)</u>
Total net position	<u>\$ (156,699)</u>

See Notes to the Financial Statements

UPPER MISSOURI DISTRICT HEALTH UNIT
STATEMENT OF ACTIVITIES
DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
Health and welfare	\$ 3,715,193	\$ 988,725	\$ 1,803,007	\$ (923,461)
Total governmental activities	\$ 3,715,193	\$ 988,725	\$ 1,803,007	(923,461)
<u>General Revenues</u>				
Property taxes				869,736
Investment earnings				2,093
Donations				39,643
Contract for services				401
Miscellaneous income				7,580
Total general revenue				919,453
Change in net position				(4,008)
Net position - beginning of year				(152,691)
Net position - end of year				\$ (156,699)

See Notes to the Financial Statements

UPPER MISSOURI DISTRICT HEALTH UNIT
BALANCE SHEET
DECEMBER 31, 2020

ASSETS

Cash and cash equivalents	\$ 1,645,453
Accounts receivable (net of allowance)	405,051
Inventory	193,972
Prepaid expenses	<u>2,633</u>
Total assets	<u><u>\$ 2,247,109</u></u>

LIABILITIES

Accounts payable	\$ 196,450
Accrued wages payable	198,398
Unearned revenue	<u>556,998</u>
Total liabilities	<u>951,846</u>

FUND BALANCES

Nonspendable	196,605
Unassigned	<u>1,098,658</u>
Total fund balances	<u>1,295,263</u>

Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,247,109</u></u>
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See Notes to the Financial Statements

UPPER MISSOURI DISTRICT HEALTH UNIT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2020

Total fund balance - governmental funds \$ 1,295,263

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

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds

Land	51,380	
Buildings	279,800	
Furniture and equipment	280,765	
Construction in progress	5,000	
Net capital assets	616,945	616,945

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.

Compensated absences	(118,020)	
Net pension liability	(3,538,079)	
Net OPEB liability	(85,488)	
Total long-term liabilities	(3,741,587)	(3,741,587)

Net deferred outflows (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	2,167,020	
Deferred outflows of resources- derived from OPEB	27,367	
Deferred inflows of resources- derived from pensions	(518,475)	
Deferred inflows of resources- derived from OPEB	(3,232)	
Net deferred outflows (inflows) of resources	1,672,680	1,672,680

Total net position - governmental activities \$ (156,699)

UPPER MISSOURI DISTRICT HEALTH UNIT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General Fund</u>
Revenues:	
County Mill levy allocation	\$ 869,738
Federal grants	1,427,144
State grants	322,502
Medicare/Medicaid	53,359
Vaccine Sales	567,985
Donations	39,643
Investment Earnings	2,093
Contract for services	59,541
Other revenue	369,178
Total revenues	<u>3,711,183</u>
Expenditures:	
Current:	
Regional public health network	3,409
WP	2,963
Media campaign	225,937
Emergency - county	71,261
Emergency - regional	75,483
Family planning	304,861
Health maintenance	93,191
HAN	4,314
HIV/HCV	375
Govt ND increase ped vac rate	8,193
Immunizations	917,822
Regional environmental services - state aid	29,484
Local public health units - state aid	445,295
COVID	185,821
Abandon auto	208
Ryan White	11,167
Car seat	4,346
Bringing baby home	19,683
Worksite wellness	6,640
HPV	5,745
Tobacco	180,438
Daycare inspections	2,455
Food inspections	13,544
Tuberculosis	2,508
Women, infants and children	179,946
Pool/Spa inspections	667
Sewer inspections & installations	20,447
Lending institutions	81
Tanning facilities inspections	198
Improving NDHIS data quality	9,368
Substance abuse prevention	31,956
State opioid addiction	32,247
Terr A-Volunteers	1,059
Partnership for success	131,905
Family planning - suicide prevention	4
NDPERS wellness	2
Enhanced harm reductions	103
Capital outlays	283,921
Total expenditures	<u>3,307,047</u>
Net change in fund balances	404,136
Fund balance - beginning of year	891,127
Fund balance - end of year	<u>\$ 1,295,263</u>

See Notes to the Financial Statements

UPPER MISSOURI DISTRICT HEALTH UNIT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR-ENDED DECEMBER 31, 2020

Net change in fund balances - total governmental funds \$ 404,136

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

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

Capital outlay	283,921	
Depreciation expense	(28,521)	
	255,400	
Total		255,400

Changes in deferred outflows and inflows relating to net pension liability		1,656,112
Changes in deferred outflows and inflows relating to net OPEB liability		(58,662)

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

Net increase in net pension liability	(2,257,319)	
Net decrease in net OPEB liability	(3,675)	
	(2,260,994)	
Total		(2,260,994)

Net change in net position of government activities		\$ (4,008)
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See Notes to the Financial Statements

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

The accompanying financial statements present the activities of the Upper Missouri District Health Unit. The Health Unit has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Health Unit are such that exclusion would cause the Health Unit's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Health Unit to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Health Unit. Based upon the application of these criteria, the Health Unit is not includable as a component unit within another reporting entity and the Health Unit does not have a component unit.

Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Health Unit as a whole. These statements include the financial activities of the reporting entity, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Health Unit's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, that are not classified as program revenues, including all taxes, are presented as general revenues.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Fund Balance Classification Policies and Procedures

In accordance with Government Accounting Standard 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

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

The Health Unit reports the following major governmental fund:

General Fund: The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Measurement Focus/Basis of Accounting

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available if they are collected within 60 days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Cash and Cash Equivalents

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

Accounts Receivable

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

Inventories

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

Capital Assets

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.

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

Buildings	30 years
Furniture and Equipment	5-10 years

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Accounts Payable

Accounts payable consists of amount on open account for goods and services received prior to December 31, 2020 and chargeable to appropriations for the year then ended, but paid subsequent to that date.

Accrued Wages Payable

Accrued wages payable consists of December's payroll that is paid in January of the following year.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The Health Unit has two items reported on the statement of net position as deferred outflows, one which represents the actuarial differences within the NDPERS pension plan, and another that represents the actuarial differences within the NDPERS OPEB plan. See notes 7 and 8 for further details.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Health Unit has two items reported on the statement of net position as deferred inflows, one which represents actuarial differences within NDPERS pension plan, and another that represents the actuarial differences within the NDPERS OPEB plan. See notes 7 and 8 for further details. The Health Unit has one item reported as a deferred inflow on the governmental funds balance sheet, *delinquent property taxes*, which represents property taxes that are unavailable as of the balance sheet date. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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 expenses, 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unearned Revenue

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

Equity Classifications

Government-wide Financial Statements

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

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

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

Use of Estimates

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 2 LEGAL COMPLIANCE – BUDGETS

The Board of Health approved the following amendments to the budget for the year ended December 31, 2020:

Fund	Revenues		
	Original Budget	Amendment	Amended Budget
General	<u>\$ 2,907,053</u>	<u>\$ 1,528,319</u>	<u>\$ 4,435,372</u>

Fund	Expenditures		
	Original Budget	Amendment	Amended Budget
General	<u>\$ 3,106,267</u>	<u>\$ 1,090,482</u>	<u>\$ 4,196,749</u>

NOTE 3 DEPOSITS

In accordance with North Dakota statutes, the Health Unit maintains deposits at depository banks designated by the governing board. All depositories are members of the Federal Reserve System. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits other than with the Bank of North Dakota must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Credit Risk:

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

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

As of December 31, 2020, the Health Unit had no investments.

Custodial Credit Risk

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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The Health Unit maintains cash on deposit at a financial institution. The amount on deposit was insured by the FDIC up to \$250,000. At December 31, 2020, none of the Health Unit's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$1,395,128 of the Health Unit's deposits are covered by pledged securities held in the Health Unit's name. These pledged securities exceed 110% of the uninsured balance.

Concentration of Credit Risk:

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

NOTE 4 INVENTORIES

Inventories at December 31, 2020, consist of the following:

Vaccine and contraceptive inventory \$ 193,972

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2020 was as follows:

	Balance 1/1/20	Additions	Deductions	Balance 12/31/20
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 51,380	\$ -	\$ -	\$ 51,380
Deposit on equipment	-	207,245	-	207,245
Deposit on software	-	5,000	-	5,000
Total capital assets not being depreciated	<u>51,380</u>	<u>212,245</u>	<u>-</u>	<u>263,625</u>
Capital assets being depreciated:				
Buildings and improvements	614,499	-	-	614,499
Equipment and furniture	28,420	71,681	-	100,101
Total capital assets at historical cost	<u>642,919</u>	<u>71,681</u>	<u>-</u>	<u>714,600</u>
Less accumulated depreciation:				
Buildings and improvements	313,067	21,632	-	334,699
Equipment and furniture	19,692	6,889	-	26,581
Total accumulated depreciation	<u>332,759</u>	<u>28,521</u>	<u>-</u>	<u>361,280</u>
Total capital assets being depreciated, net	<u>310,160</u>	<u>43,160</u>	<u>-</u>	<u>353,320</u>
Net capital assets	<u>\$ 361,540</u>	<u>\$ 255,405</u>	<u>\$ -</u>	<u>\$ 616,945</u>

Depreciation expense of \$28,521 was not allocated to any government function.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 6 LONG TERM LIABILITIES

During the year ended December 31, 2020, the following changes occurred in liabilities reported as long-term in the Statement of Net Position:

	Compensated Absences	Net Pension Liability	Net OPEB Liability
Balance January 1, 2020	\$ 118,020	\$ 1,280,759	\$ 81,813
Additions	32,092	2,552,357	25,082
Reductions	(32,092)	(295,037)	(21,407)
Balance December 31, 2020	<u>\$ 118,020</u>	<u>\$ 3,538,079</u>	<u>\$ 85,488</u>

See note 7 for more information on the net pension liability and note 8 for more information on the net OPEB liability.

NOTE 7 PENSION PLAN

North Dakota Public Employees' Retirement System (Main System)

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

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

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

Pension Benefits

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

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

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

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will 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 covered compensation. 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

UPPER MISSOURI DISTRICT HEALTH UNIT
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DECEMBER 31, 2020

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

At December 31, 2020, the Health Unit reported a liability of \$3,538,079 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2020, the Health Unit's proportion was 0.112462 percent, which was an increase of 0.003189 percent from its proportion measured at June 30, 2019.

For the year ended December 31, 2020, the Health Unit recognized pension expense of \$644,646. At December 31, 2020, the Health Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,769	\$ (179,278)
Changes of assumptions	1,896,633	(313,560)
Net difference between projected and actual earnings on pension plan investments	114,191	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	94,089	(25,637)
Employer contributions subsequent to the measurement date	48,337	-
Total	<u>\$ 2,167,020</u>	<u>\$ (518,475)</u>

There is \$48,337 reported as deferred outflows of resources related to pensions resulting from the Health Unit's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

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

Year ended December 31:	
2021	\$ 484,800
2022	414,370
2023	333,788
2024	367,250

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Actuarial assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
Global Real Assets	19%	5.01%

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 4.64 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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease 3.64%	Current Discount Rate 4.64%	1% Increase 5.64%
Employer's proportionate share of the net pension liability	\$ 4,590,391	\$ 3,538,079	\$ 2,677,030

Pension Plan Fiduciary Net Position

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

NOTE 8 OTHER POST EMPLOYMENT BENEFITS

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.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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, 2020, the Health Unit reported a liability of \$85,488 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Health Unit's proportion of the net OPEB liability was based on the Health Unit's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the Health Unit's proportion was 0.101626 percent, which was a decrease of 0.000235 percent from its proportion measured at June 30, 2019.

For the year ended December 31, 2020, the Health Unit recognized OPEB expense of \$13,287. At December 31, 2020, the Health Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,898	\$ (2,050)
Changes of assumptions	11,462	-
Net difference between projected and actual earnings on OPEB plan investments	2,940	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,386	(1,182)
Employer contributions subsequent to the measurement date	<u>6,681</u>	<u>-</u>
Total	<u>\$ 27,367</u>	<u>\$ (3,232)</u>

\$6,681 reported as deferred outflows of resources related to OPEB resulting from the Health Unit's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021.

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

Year ended December 31:

2021	\$ 3,735
2022	4,495
2023	4,356
2024	3,514
2025	1,354

Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not applicable
Investment Rate of Return	6.50%, net of investment expenses
Cost-of-living Adjustments	None

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.15%
International Equities	21%	6.45%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. 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, 2020, calculated using the discount rate of 6.50%, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net OPEB liability	\$ 112,119	\$ 85,488	\$ 62,967

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

OPEB Plan Fiduciary Net Position

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

NOTE 9 RISK MANAGEMENT

Upper Missouri District Health Unit is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Upper Missouri District Health Unit pays an annual premium to NDIRF for its general liability coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence. In the past three years, no settled claims have exceeded insurance coverage.

NOTE 10 CONTINGENCIES

The Health Unit received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The Health Unit's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the Health Unit as of December 31, 2020.

NOTE 11 JOINT POWERS AGREEMENT

As of August 28, 2003, 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 12 FUTURE PRONOUNCEMENTS

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Health Unit's year end. Subsequent events were evaluated through January 26, 2022, which is the date these financial statements were available to be issued.

UPPER MISSOURI DISTRICT HEALTH UNIT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance Final to Actual
Revenues:				
County Mill levy allocation	\$ 688,761	\$ 758,963	\$ 869,738	\$ 110,775
Federal grants	589,323	2,036,595	1,480,503	(556,092)
State grants	443,025	443,025	322,502	(120,523)
Vaccine Sales	625,673	625,673	567,985	(57,688)
Donations	43,370	47,000	39,643	(7,357)
Investment Earnings	6,816	6,816	2,093	(4,723)
Contract for services	70,000	70,000	59,541	(10,459)
Other revenue	440,085	447,300	369,178	(78,122)
Total revenues	<u>2,907,053</u>	<u>4,435,372</u>	<u>3,711,183</u>	<u>(724,189)</u>
Expenditures:				
Current:				
Salaries	1,378,812	1,534,966	1,458,437	76,529
Fringes	615,245	681,175	478,770	202,405
Contractual	209,332	209,332	200,637	8,695
Statewide media	260,675	260,675	225,937	34,738
Travel	40,827	44,474	24,804	19,670
Supplies	464,644	729,395	441,758	287,637
Rent	18,468	18,468	18,336	132
Utilities	15,621	15,621	9,621	6,000
Janitorial	18,551	18,551	17,606	945
Depreciation	20,971	20,971	-	20,971
Maintenance	2,928	2,928	2,002	926
Copies	4,018	4,018	5,298	(1,280)
Postage	4,564	4,564	4,073	491
Phone	16,438	16,438	18,339	(1,901)
Capital outlays	-	600,000	368,768	231,232
Other expenses	35,173	35,173	32,661	2,512
Total expenditures	<u>3,106,267</u>	<u>4,196,749</u>	<u>3,307,047</u>	<u>889,702</u>
Net change in fund balances	<u>\$ (199,214)</u>	<u>\$ 238,623</u>	404,136	<u>\$ (1,613,891)</u>
Fund balance - beginning of year			891,127	
Fund balance - end of year			<u>\$ 1,295,263</u>	

See Notes to Required Supplementary Information

UPPER MISSOURI DISTRICT HEALTH UNIT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net pension <u>liability (asset)</u>	Employer's proportionate share of the net pension <u>liability (asset)</u>	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension <u>liability</u>
2020	0.112462%	\$ 3,538,079	\$ 1,216,536	290.83%	48.91%
2019	0.109273%	1,280,759	1,136,626	112.68%	71.66%
2018	0.110820%	1,870,208	1,138,472	164.27%	62.80%
2017	0.098503%	1,583,266	1,005,563	157.45%	61.98%
2016	0.105597%	1,029,146	1,064,173	96.71%	40.46%
2015	0.093729%	637,641	835,013	76.36%	77.15%

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

UPPER MISSOURI DISTRICT HEALTH UNIT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.101626%	\$ 85,488	\$ 1,216,536	7.03%	63.38%
2019	0.101861%	81,813	1,136,626	7.20%	63.13%
2018	0.104044%	81,942	1,138,472	7.20%	61.89%

* The Health Unit implemented GASB Statement No. 75 for its fiscal year ending December 31, 2018. Information for prior periods is not available.

UPPER MISSOURI DISTRICT HEALTH UNIT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered payroll
2020	\$ 87,845	\$ (85,216)	\$ 2,629	\$ 1,293,052	6.59%
2019	82,753	(84,767)	(2,014)	1,136,626	7.46%
2018	83,853	(76,991)	6,862	1,138,472	6.76%
2017	72,915	(71,744)	1,171	1,005,563	7.13%
2016	77,044	(81,900)	(4,856)	1,064,173	7.70%
2015	63,426	(68,990)	(5,564)	835,013	8.26%

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

UPPER MISSOURI DISTRICT HEALTH UNIT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percentage of covered payroll
2020	\$ 13,610	\$ 13,549	\$ 61	\$ 1,293,052	1.05%
2019	13,219	13,572	(353)	1,136,626	1.19%
2018	13,354	12,327	1,027	1,138,472	1.08%

* The Health Unit implemented GASB Statement No. 75 for its fiscal year ending December 31, 2018. Information for prior periods is not available.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 BUDGET INFORMATION

Budgets and Budgetary Accounting

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

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10. The budget was not amended in fiscal year 2020.

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

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

Legal Compliance

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

The budget meeting is set at the May District Board of Health meeting and the proposed budget is presented to the District Board of Health for review. The proposed budget is then presented to the Joint Boards of County Commissioners for approval. The County Commissioners hold public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget.

NOTE 2 CHANGE OF BENEFIT TERMS AND ASSUMPTIONS

NDPERS Pension Plan

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 7.0 percent to 6.5 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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.50% to 7.0%
- The assumed rate of price inflation was lowered from 2.50 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

NDPERS OPEB

Changes of Benefit Terms

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 have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Federal AL Number	Pass- Through Grant Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through the ND Department of Health: Special Supplemental Nutrition Program for Women, Infant and Children	10.557	G19.1024	\$ 169,482
<u>U.S. Environmental Protection Agency</u>			
Passed through the ND Department of Health: Performance Partnership Grants	66.605	G21.023	1,838
<u>U.S. Department of Health and Human Services</u>			
Passed through the ND Department of Health:			
Aging Cluster			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		35,329
Total Aging Cluster			35,329
Public Health Emergency Preparedness	93.069	G21.026 G19.778 G19.821	84,813
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	G19.1217	1,572
Family Planning Services	93.217	G19.1248	131,834
Immunization Cooperative Agreements	93.268	G21.061 PF19.051 G19.1055 G19-285	42,224
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		133,435
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	G19.509	3,260
Opioid STR	93.788		109,091
HIV Care Formula Grants	93.917		12,881
HIV Prevention Activities Health Department Based	93.940	PF19.206	3,635
Block Grants for Prevention and Treatment of Substance Abuse	93.959		10,000
Total U.S. Department of Health and Human Services			568,073
<u>U.S. Department of Treasury</u>			
Passed through the ND Department of Health: Coronavirus Relief Fund - COVID-19	21.019		687,750
Total Federal Expenditures			\$ 1,427,144

See Notes to the Schedule of Expenditures of Federal Awards

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

Upper Missouri District Health Unit has not elected to use the 10-percent de minimus cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of the Upper Missouri District Health Unit under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Upper Missouri District Health Unit, it is not intended to and does not present the financial position or change in net position of the Upper Missouri District Health Unit.

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

To the District Board of Health
Upper Missouri District Health Unit
Williston, North Dakota

We were engaged to audit the statement of net position and balance sheet, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Upper Missouri District Health Unit, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Upper Missouri District Health Unit's basic financial statements and have issued our report thereon dated January 26, 2022.

Our report disclaims an opinion on the statement of activities and the statement of revenues, statement of revenues, expenditures and changes in fund balance and the related notes to the financial statements because adequate detailed financial reports and supporting documentation for expenditures were not maintained and we were able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Internal Control over Financial Reporting

In connection with our engagement to the audit of the financial statements listed in the first paragraph of Upper Missouri District Health Unit as of and for the year ended December 31, 2020 in accordance with auditing standards generally accepted in the United States of America, we considered Upper Missouri District Health Unit's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Upper Missouri District Health Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Missouri District Health Unit's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2020-001 through 2020-003 that we considered to be material weaknesses.

Compliance and Other Matters

In connection with our engagement to audit the financial statements listed in the first paragraph of Upper Missouri District Health Unit, 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 financial statements. 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*.

Upper Missouri District Health Unit's Responses to Findings

Upper Missouri District Health Unit's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

January 26, 2022

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

To the District Board of Health
Upper Missouri District Health Unit
Williston, North Dakota

Report on Compliance for Each Major Program

We were engaged to audit the Upper Missouri District Health Unit's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on the Upper Missouri District Health Unit's major federal program for the year ended December 31, 2020. Upper Missouri District Health Unit's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Federal Major Program

In our opinion, Upper Missouri District Health Unit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

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

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

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

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



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

January 26, 2022

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified: Statement of Net Position and Balance Sheet

Disclaimer: Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances

Internal control over financial reporting:

Material weakness(es) identified?

 x yes no

Significant deficiency(ies) identified?

 yes x none reported

Noncompliance material to financial statements noted?

 yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

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

Unmodified

Any audit findings disclosed that are

Required to be reported in accordance with 2 CFR 200.516(a)?

 yes x no

CFDA Number(s) Name of Federal Program or Cluster

21.019 Coronavirus Relief Fund: COVID-19

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

\$750,000

Auditee qualified as a low-risk auditee?

 yes x no

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Section II – Financial Statement Findings

2020-001: Preparation of Financial Statements - Material Weakness

Criteria

An appropriate system of internal controls requires that the Health Unit make a determination that financial statements and underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America.

Condition

The Health Unit's auditors prepared the financial statements, including all note disclosures, as of December 31, 2020.

Cause

The Health Unit elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement or omission of material disclosures to the Health Unit's financial statements.

Recommendation

We recommend the Health Unit consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Indication of Repeat Finding

This is a repeat finding of finding 2019-001 from the prior year.

Views of Responsible Officials and Planned Corrective Actions

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 Brady-Martz, a public accounting firm, to prepare the audit financial statements as part of their annual audit of Upper Missouri District Health Unit.

2020-002: Proposition of Journal Entries - Material Weakness

Criteria

The Health Unit is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made those the general ledger accounts are properly reflected on the modified cash basis of accounting.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Cause

The Health Unit's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with the modified cash basis of accounting.

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Effect

The Health Unit's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Indication of Repeat Finding

This is a repeat finding of finding 2019-002 from the prior year.

Views of Responsible Officials and Planned Corrective Actions

The Health Unit will receive training in the recording of these transactions.

2020-003: Segregation of Duties – Material Weakness

Criteria

Generally, a system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

Size and budget constraints limiting the number of personnel within the accounting department are the causes of this significant deficiency.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

The Health Unit's current structure does not allow for proper segregation of duties to assure adequate internal control over financial reporting. The Council should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Indication of Repeat Finding

This is a new finding.

Views of Responsible Officials and Planned Corrective Actions

The Health Unit is working diligently to identify and correct any process that may keep us from proper separation of duties, despite our limited number of personnel.

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Section III – Federal Award Findings and Questioned Costs

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

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

2019-001: 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 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 more than remote likelihood that 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.

Recommendation

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.

Current Status

This finding is repeated in the current year as 2020-001.

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

2019-002: Material Audit Adjustments

Criteria

A good system of internal control contemplates proper reconcilements 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

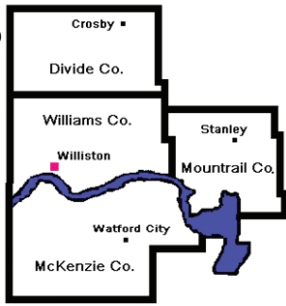
Inadequate internal controls over recording of transactions affects the Health Unit's ability to detect misstatements in amounts that could be material in relation to the financial statements.

Recommendation

All general ledger accounts be reconciled in a timely manner and adjustments made for any differences noted.

Current Status

This finding is repeated in the current year as 2020-002



Upper Missouri District Health Unit

"Your Public Health Professionals"

DIVIDE COUNTY
Divide County
Courthouse
P.O. Box 69
200 Main Street N
Crosby, ND 58730

MCKENZIE COUNTY
P.O. Box 1066
201 5th St. NW Suite
1100
Watford City, ND 58854

MOUNTRAIL COUNTY
Memorial Building
P.O. Box 925
18 2nd Ave SE
Stanley, ND 58784

WILLIAMS COUNTY
110 W. Bdwy, Ste 101
Williston, ND 58801-6056
Phone 701-774-6400
Fax 701-577- 8536
Toll Free 1-877-572-3763

Corrective Action Plan – December 31, 2020

2020-001 – Preparation of Financial Statements

Contact Person
Javayne Oyloe

Corrective Action Plan

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 Brady Martz, a public accounting firm, to prepare audit financial statements as part of our annual audit. UMDHU accounting personnel will attend a GASB training.

Completion Date

Upper Missouri District Health Unit will implement the plan when it becomes cost effective.

2020-002 – Proposition of Journal Entries

Contact Person
Javayne Oyloe

Corrective Action Plan

UMDHU accounting personnel will receive training to improve the ability to determine the proper balance in each general ledger account prior to an audit.

Completion Date

Upper Missouri District Health Unit will implement the plan when it becomes cost effective and when training is available.

2020-003 – Segregation of Duties

Contact Person

Javayne Oyloe

Corrective Action Plan

UMDHU is working to improve segregation of duties. Processes are being improved to strengthen internal controls.

Completion Date

Upper Missouri District Health Unit will implement the plan by December 31, 2022, as processes have been developed and implemented.