



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Lake Region District Health Unit

Devils Lake, North Dakota

Audit Report for the Years Ended December 31, 2021 and 2020

Client Code: PS360



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Office of the
State Auditor

LAKE REGION DISTRICT HEALTH UNIT

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LAKE REGION DISTRICT HEALTH UNIT

Health Unit Officials

December 31, 2021 and 2020

OFFICIALS

December 31, 2021

Mike Steffan	Chairman
Neal Rud	Vice Chairman
Elonda Nord	Secretary/Treasurer
Mike Christenson	Board Member
Doris Griffin	Board Member
Lucas Wakefield	Board Member
Glenda Collier	Board Member
Terry Hoffert	Board Member
Dr. Derek Wayman, MD	Board Member
Allen McKay	Administrator
Sheri Bertsch	Finance Manager

December 31, 2020

Mike Steffan	Chairman
Neal Rud	Vice Chairman
Elonda Nord	Secretary/Treasurer
Mike Christenson	Board Member
Doris Griffin	Board Member
Lucas Wakefield	Board Member
Glenda Collier	Board Member
Terry Hoffert	Board Member
Dr. Derek Wayman, MD	Board Member
Allen McKay	Administrator
Sheri Bertsch	Finance Manager

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INDEPENDENT AUDITOR'S REPORT

Health Unit Board
Lake Region District Health Unit
Devils Lake, North Dakota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Lake Region District Health Unit, as of and for the years ended December 31, 2021 and December 31, 2020, and the related notes to the financial statements, which collectively comprise Lake Region District Health Unit's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Lake Region District Health Unit, as of December 31, 2021 and December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake Region District Health Unit and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Region District Health Unit's ability to continue as a going concern for one year following the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lake Region District Health's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Region District Health Unit's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake Region District Health Unit's basic financial statements. The schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards, 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2022 on our consideration of Lake Region District Health Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Region District Health Unit's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 7, 2022

LAKE REGION DISTRICT HEALTH UNIT

Statement of Net Position

December 31, 2021

	Primary Government
ASSETS	
Cash	\$ 2,378,627
Accounts Receivable	24,756
Intergovernmental Receivable	135,057
Taxes Receivable	13,232
Capital Assets	
Depreciable, Net	<u>13,180</u>
Total Assets	<u>\$ 2,564,852</u>
DEFFERED OUTFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 1,298,316</u>
LIABILITIES	
Accounts Payable	\$ 19,107
Salaries Payable	20,309
Long-Term Liabilities	
Due Within One Year	
Compensated Absences Payable	12,520
Due After One Year	
Compensated Absences Payable	112,683
Net Pension Liability	<u>1,017,000</u>
Total Liabilities	<u>\$ 1,181,619</u>
DEFFERED INFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 1,597,071</u>
NET POSITION	
Net Investment in Capital Assets	\$ 13,180
Unrestricted	<u>1,071,298</u>
Total Net Position	<u><u>\$ 1,084,478</u></u>

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

Statement of Activities
For the Year Ended December 31, 2021

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

LAKE REGION DISTRICT HEALTH UNIT

Balance Sheet – Governmental Funds

December 31, 2021

	General Fund
ASSETS	
Cash	\$ 2,378,627
Accounts Receivable	24,756
Intergovernmental Receivable	135,057
Taxes Receivable	<u>13,232</u>
 Total Assets	 <u><u>\$ 2,551,672</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 19,107
Salaries Payable	<u>20,309</u>
 Total Liabilities	 <u>\$ 39,416</u>
 Deferred Inflows of Resources	
Taxes Receivable	<u>\$ 13,232</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>\$ 52,648</u>
 Fund Balances	
Unassigned	<u>\$ 2,499,024</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u><u>\$ 2,551,672</u></u>

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

LAKE REGION DISTRICT HEALTH UNIT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2021

Total Fund Balances of Governmental Funds	\$ 2,499,024
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	13,180
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Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.	13,233
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Deferred outflows and inflows of resources related to pensions & OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pension & OPEB Liability	\$ 1,298,316	
Deferred Inflows Related to Pension & OPEB Liability	<u>(1,597,071)</u>	(298,755)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position. Balances are:

Compensated Absences	\$ (125,204)	
Net Pension and OPEB Liability	<u>(1,017,000)</u>	<u>(1,142,204)</u>

Total Net Position of Governmental Activities	<u>\$ 1,084,478</u>
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The notes to the financial statements are an integral part of this statement.

LAKE REGION DISTRICT HEALTH UNIT

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2021

	General Fund
REVENUES	
Taxes	\$ 628,036
Intergovernmental	1,393,955
Charges for Services	682,765
Interest Income	5,011
Miscellaneous	37,850
	<hr/>
Total Revenues	\$ 2,747,617
	<hr/>
EXPENDITURES	
Health and Welfare	\$ 2,376,853
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ 370,764
	<hr/>
Fund Balance - January 1	\$ 2,128,260
	<hr/>
Fund Balance - December 31	\$ 2,499,024
	<hr/>

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

LAKE REGION DISTRICT HEALTH UNIT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2021

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 370,764
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Depreciation Expense	(10,636)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Compensated Absences	(12,391)
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Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable	(3,513)
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The Net Pension and OPEB Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension and OPEB Liability	\$ 1,745,093	
Net Change in Deferred Outflows of Resources	(359,219)	
Net Change in Deferred Inflows of Resources	(102,517)	1,283,357
	<hr/>	<hr/>

Change in Net Position of Governmental Activities	<u><u>\$ 1,627,581</u></u>
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The notes to the financial statements are an integral part of this statement.

LAKE REGION DISTRICT HEALTH UNIT

Statement of Net Position

December 31, 2020

	Primary Government
ASSETS	
Cash	\$ 2,041,029
Accounts Receivable	13,980
Intergovernmental Receivable	110,725
Taxes Receivable	16,746
Capital Assets	
Depreciable, Net	<u>23,816</u>
Total Assets	<u>\$ 2,206,296</u>
DEFFERED OUTFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 1,657,535</u>
LIABILITIES	
Accounts Payable	\$ 19,038
Salaries Payable	18,436
Long-Term Liabilities	
Due Within One Year	
Compensated Absences Payable	11,281
Due After One Year	
Compensated Absences Payable	101,532
Net Pension Liability	<u>2,762,093</u>
Total Liabilities	<u>\$ 2,912,380</u>
DEFFERED INFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 1,494,554</u>
NET POSITION	
Net Investment in Capital Assets	\$ 23,816
Unrestricted	<u>(566,919)</u>
Total Net Position	<u><u>\$ (543,103)</u></u>

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

Statement of Activities
For the Year Ended December 31, 2020

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

LAKE REGION DISTRICT HEALTH UNIT

Balance Sheet – Governmental Funds

December 31, 2020

	<u>General Fund</u>
ASSETS	
Cash	\$ 2,041,029
Accounts Receivable	13,980
Intergovernmental Receivable	110,725
Taxes Receivable	<u>16,745</u>
 Total Assets	 <u><u>\$ 2,182,479</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 19,038
Salaries Payable	<u>18,436</u>
 Total Liabilities	 <u>\$ 37,474</u>
 Deferred Inflows of Resources	
Taxes Receivable	<u>\$ 16,745</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>\$ 54,219</u>
 Fund Balances	
Unassigned	<u>\$ 2,128,260</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u><u>\$ 2,182,479</u></u>

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

LAKE REGION DISTRICT HEALTH UNIT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2020

Total Fund Balances of Governmental Funds	\$ 2,128,260
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	23,816
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Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.	16,746
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Deferred outflows and inflows of resources related to pensions & OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pension & OPEB Liability	\$ 1,657,535	
Deferred Inflows Related to Pension & OPEB Liability	<u>(1,494,554)</u>	162,981

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term are reported in the statement of net position. Balances are:

Compensated Absences	\$ (112,813)	
Net Pension and OPEB Liability	<u>(2,762,093)</u>	<u>(2,874,906)</u>

Total Net Position of Governmental Activities	<u>\$ (543,103)</u>
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The notes to the financial statements are an integral part of this statement.

LAKE REGION DISTRICT HEALTH UNIT

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2020

	General Fund
REVENUES	
Taxes	\$ 628,036
Intergovernmental	1,333,188
Charges for Services	521,372
Interest Income	7,127
Miscellaneous	40,376
Total Revenues	<u>\$ 2,530,099</u>
EXPENDITURES	
Health and Welfare	<u>\$ 2,130,361</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 399,738</u>
Fund Balance - January 1	<u>\$ 1,728,522</u>
Fund Balance - December 31	<u><u>\$ 2,128,260</u></u>

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

LAKE REGION DISTRICT HEALTH UNIT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2020

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 399,738
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	\$ 5,700	
Current Year Depreciation Expense	<u>(10,636)</u>	(4,936.00)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Compensated Absences	(30,460)
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Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable	42
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The Net Pension and OPEB Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension and OPEB Liability	(1,706,855)	
Net Change in Deferred Outflows of Resources	1,151,364	
Net Change in Deferred Inflows of Resources	<u>(967,923)</u>	<u>(1,523,414)</u>

Change in Net Position of Governmental Activities	<u><u>\$ (1,159,030)</u></u>
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The notes to the financial statements are an integral part of this statement.

LAKE REGION DISTRICT HEALTH UNIT

Notes to the Financial Statements

For the Years Ended December 31, 2021 and 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lake Region District Health Unit ("Health Unit") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. 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 Health Unit's accounting policies are described below.

Reporting Entity

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

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

Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the Health Unit (primary government). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements. The fund financial statements provide information about the Health Unit's funds including its fiduciary funds. Separate statements for each fund category—*governmental* and *fiduciary*—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Health Unit reports the following major governmental funds:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

LAKE REGION DISTRICT HEALTH UNIT

Notes to the Financial Statements – Continued

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

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

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

Cash and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts, and certificate of deposits with a maturity date of 90 days or less.

Capital Assets

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives (amounts in years):

Equipment	5-10
Vehicle	5-10

Compensated Absences

Vacation leave is earned at the rate of 8 to 16 hours per month depending on years of service, pro-rated for part time employees. Up to 240 hours, pro-rated for part time employees, of vacation leave may be carried over beyond April 30th of each year. Upon termination of employment, employees will be paid for the accrued vacation benefits. Sick leave benefits are earned at the rate of 8 hours per month regardless of years of service, pro-rated for part time employees. Upon termination of employment, employees will be paid 10% of their sick leave benefits that have accrued to a maximum of 10% of 1,000 hours. A liability for the vested or accumulated vacation and sick leave is reported in the government-wide statement of net position.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position.

When applicable, in the fund financial statements, the face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, and discounts received on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pension

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

Other Post-Employment Benefits (OPEB)

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

Fund Balance

Fund Balance Spending Policy. It is the policy of the Health Unit to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Health Unit to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

Net Position

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

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

Unrestricted net position is primarily unrestricted amounts related to the general fund.

NOTE 2 DEPOSITS

Custodial Credit Risk

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

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

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

LAKE REGION DISTRICT HEALTH UNIT

Notes to the Financial Statements – Continued

At year ended December 31, 2021, the Health Unit's carrying amount of deposits was \$2,378,627, and the bank balances totaled \$2,467,267. Of the bank balances, \$426,770 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2020, the Health Unit's carrying amount of deposits was \$2,041,029, and the bank balances totaled \$2,114,789. Of the bank balances, \$425,734 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2021 and 2020:

2021	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Being Depreciated				
Equipment	\$ 222,012	\$ -	\$ -	\$ 222,012
Vehicle	17,655	-	-	17,655
Total Capital Assets, Being Depreciated	\$ 239,667	\$ -	\$ -	\$ 239,667
Less Accumulated Depreciation				
Equipment	\$ 200,718	\$ 8,114		\$ 208,832
Vehicle	15,133	2,522	-	17,655
Total Accumulated Depreciation	\$ 215,851	\$ 10,636	\$ -	\$ 226,487
Governmental Capital Assets, Net	\$ 23,816	\$ (10,636)	\$ -	\$ 13,180

2020	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Being Depreciated				
Equipment	\$ 216,313	\$ 5,700	\$ -	\$ 222,013
Vehicle	17,655	-	-	17,655
Total Capital Assets, Being Depreciated	\$ 233,968	\$ 5,700	\$ -	\$ 239,668
Less Accumulated Depreciation				
Equipment	\$ 192,604	\$ 8,114		\$ 200,718
Vehicle	12,611	2,523	-	15,134
Total Accumulated Depreciation	\$ 205,215	\$ 10,637	\$ -	\$ 215,852
Governmental Capital Assets, Net	\$ 28,753	\$ (4,937)	\$ -	\$ 23,816

Depreciation expense was charged to the health and welfare function.

NOTE 4 LONG-TERM LIABILITIES

During the years ended December 31, 2021 and 2020, the following changes occurred in long-term liabilities:

2021	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 112,813	\$ 12,390	\$ -	\$ 125,203	\$ 12,520
Net Pension and OPEB Liability	2,762,093	-	1,745,093	1,017,000	-
Total Primary Government	\$ 2,874,906	\$ 12,390	\$ 1,745,093	\$ 1,142,203	\$ 12,520

LAKE REGION DISTRICT HEALTH UNIT

Notes to the Financial Statements – Continued

2020	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 82,353	\$ 30,460	\$ -	\$ 112,813	\$ 11,281
Net Pension and OPEB Liability	1,055,238	1,706,855	-	2,762,093	-
Total Primary Government	\$ 1,137,591	\$ 1,737,315	\$ -	\$ 2,874,906	\$ 11,281

* The change in compensated absences is shown as a net change due to changes in salary prohibit exact calculations.

NOTE 5 PENSION PLAN**General Information about the NDPERS Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

LAKE REGION DISTRICT HEALTH UNIT

Notes to the Financial Statements – Continued

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 the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

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

At December 31, 2021 and 2020, the Health Unit reported a liability of \$970,580 and \$2,692,428 respectively, for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2021 and 2020 respectively, 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, 2021 and 2020, the Health Unit had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 and 2020 Measurement	Pension Expense
2021	0.093119%	0.007537%	\$ 188,418
2020	0.085582%	0.000956%	487,270

LAKE REGION DISTRICT HEALTH UNIT

Notes to the Financial Statements – Continued

At December 31, 2021 and 2020, the Health Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 16,758	\$ 99,061
Changes in Assumptions	1,074,243	1,400,589
Net Difference Between Projected and Actual Investment		-
Earnings on Pension Plan Investments	-	359,973
Changes in Proportion and Differences Between Employer		-
Contributions and Proportionate Share of Contributions	135,594	1,575
Contributions - Employer	52,641	-
Total Deferred Outflow and Inflow of Resources	\$ 1,279,236	\$ 1,861,198

2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 10,478	\$ 136,428
Changes in Assumptions	1,443,311	238,615
Net Difference Between Projected and Actual Investment		-
Earnings on Pension Plan Investments	86,898	-
Changes in Proportion and Differences Between Employer		-
Contributions and Proportionate Share of Contributions	50,556	13,267
Contributions - Employer	42,984	-
Total Deferred Outflow and Inflow of Resources	\$ 1,634,227	\$ 388,310

\$52,641 and \$42,984 reported as deferred outflows of resources related to pensions resulting from Health Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022 and 2021, respectively.

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

2022	\$ (67,249)
2023	(131,397)
2024	(106,134)
2025	(329,823)

Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial 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.

LAKE REGION DISTRICT HEALTH UNIT

Notes to the Financial Statements – Continued

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%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

Discount rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

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

The following presents the Health Unit's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what their proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate Share of the Net Pension Liability	\$ 1,543,548	\$ 970,580	\$ 493,494

Pension Plan Fiduciary Net Position

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

NOTE 6 OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

LAKE REGION DISTRICT HEALTH UNIT

Notes to the Financial Statements – Continued

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

At December 31, 2021 and 2020, the Health Unit reported a liability of \$46,420 and \$69,665, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 and 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2021 and 2020, the Health Unit had the following proportions, change in proportions, and pension expense:

	Proportion	Increase (Decrease) in Proportion from June 30, 2019 and 2020 Measurement	OPEB Expense
2021	0.08346300%	0.0006470%	\$ 7,230
2020	0.08281600%	0.0039300%	11,214

At December 31, 2021 and 2020, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,665	\$ 1,272
Changes of Assumptions	7,189	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	15,905
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	3,847	12
Contributions - Employer	5,379	-
Total Deferred Outflow and Inflow of Resources	\$ 19,080	\$ 17,189

2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,546	\$ 1,670
Changes of Assumptions	9,341	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	2,396	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	4,751	16
Contributions - Employer	5,274	-
Total Deferred Outflow and Inflow of Resources	\$ 23,308	\$ 1,686

\$5,378 and \$5,274 reported as deferred outflows of resources related to pensions resulting from Health Unit contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022 and 2021, respectively.

LAKE REGION DISTRICT HEALTH UNIT

Notes to the Financial Statements – Continued

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

2022	\$ (74)
2023	(189)
2024	(892)
2025	(2,581)
2026	248

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 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 or return	6.50%, Net of investment expenses
Cost of living adjustments	None

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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
International Equities	21%	6.25%
Domestic Fixed Income	40%	0.50%

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 rates described in this report. 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.

LAKE REGION DISTRICT HEALTH UNIT

Notes to the Financial Statements – Continued

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, 2021, 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%)
Proportionate Share of the OPEB Liability	\$ 68,847	\$ 46,420	\$ 27,443

NOTE 7 RISK MANAGEMENT

The 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 (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Health Unit pays an annual premium to NDRF for its general liability and automobile insurance coverage. The coverage by NDRF is limited to losses of two million dollar per occurrence for general liability and automobile insurance coverage.

The Health Unit also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Health Unit pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the Health Unit with blanket fidelity bond coverage in the amount of \$904,472 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Health Unit has worker's compensation with the North Dakota Workforce Safety and Insurance.

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

LAKE REGION DISTRICT HEALTH UNIT

Budgetary Comparison Schedule - General Fund

December 31, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 628,036	\$ 628,036	\$ 628,036	\$ -
Intergovernmental	665,173	1,204,224	1,393,955	189,731
Charges for Services	658,810	658,810	682,765	23,955
Interest Income	4,150	4,150	5,011	861
Miscellaneous	217,300	217,300	37,850	(179,450)
Total Revenues	<u>\$ 2,173,469</u>	<u>\$ 2,712,520</u>	<u>\$ 2,747,617</u>	<u>\$ 35,097</u>
EXPENDITURES				
Health & Welfare	<u>\$ 2,173,469</u>	<u>\$ 2,374,911</u>	<u>\$ 2,376,853</u>	<u>\$ (1,942)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ 337,609</u>	<u>\$ 370,764</u>	<u>\$ 33,155</u>
Fund Balance - January 1	<u>\$ 2,128,260</u>	<u>\$ 2,128,260</u>	<u>2,128,260</u>	<u>\$ -</u>
Fund Balance - December 31	<u><u>\$ 2,128,260</u></u>	<u><u>\$ 2,465,869</u></u>	<u><u>\$ 2,499,024</u></u>	<u><u>\$ 33,155</u></u>

The accompanying required supplementary information notes are an integral part of this schedule.

LAKE REGION DISTRICT HEALTH UNIT

Budgetary Comparison Schedule - General Fund

December 31, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 628,036	\$ 628,036	\$ 628,036	\$ -
Intergovernmental	666,437	1,156,293	1,333,188	176,895
Charges for Services	593,925	593,925	521,372	(72,553)
Interest Income	2,600	2,600	7,127	4,527
Miscellaneous	112,282	112,282	40,376	(71,906)
 Total Revenues	 \$ 2,003,280	 \$ 2,493,136	 \$ 2,530,099	 \$ 36,963
 EXPENDITURES				
Health & Welfare	\$ 2,003,280	\$ 2,132,017	\$ 2,130,361	\$ 1,656
 Excess (Deficiency) of Revenues Over Expenditures	 \$ -	 \$ 361,119	 \$ 399,738	 \$ 38,619
 Fund Balance - January 1	 \$ 1,728,522	 \$ 1,728,522	 \$ 1,728,522	 \$ -
 Fund Balance - December 31	 \$ 1,728,522	 \$ 2,089,641	 \$ 2,128,260	 \$ 38,619

The accompanying required supplementary information notes are an integral part of this schedule.

LAKE REGION DISTRICT HEALTH UNIT

Schedule of Employer's Share of Net Pension and Employer Contributions
For the Year Ended December 31, 2021

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.093119%	\$ 970,580	\$ 1,054,466	92.04%	78.26%
2020	0.085582%	2,692,428	944,074	285.19%	48.91%
2019	0.084626%	991,878	880,253	112.68%	71.66%
2018	0.081537%	1,376,026	837,643	164.27%	62.80%
2017	0.076889%	1,235,859	784,916	157.45%	61.98%
2016	0.079021%	770,137	796,343	96.71%	70.46%
2015	0.086971%	591,388	774,809	76.33%	77.15%
2014	0.083491%	529,935	703,319	75.35%	77.70%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 77,763	\$ (72,730)	\$ 5,033	\$ 1,139,531	6.38%
2020	66,849	(67,217)	(368)	1,003,181	6.70%
2019	64,087	(62,444)	1,643	944,074	6.61%
2018	61,696	(59,858)	1,838	837,643	7.15%
2017	56,916	(56,792)	124	784,916	7.24%
2016	57,654	(57,255)	399	796,343	7.19%
2015	58,853	(56,207)	2,646	774,809	7.25%
2014	50,076	(50,076)	-	703,319	7.12%

The notes to the required supplementary information are an integral part of this statement.

LAKE REGION DISTRICT HEALTH UNIT

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2021

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

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	District's Covered- Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.083463%	\$ 46,420	\$ 909,957	5.10%	76.63%
2020	0.082816%	69,665	944,074	7.38%	63.38%
2019	0.078886%	63,360	880,253	7.20%	63.13%
2018	0.076552%	60,290	837,643	7.20%	61.89%
2017	0.072554%	57,391	784,916	7.31%	59.78%

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 10,943	\$ (10,639)	\$ 304	\$ 1,139,531	0.93%
2020	11,091	(10,762)	329	1,003,181	1.07%
2019	10,237	(9,998)	239	944,074	1.06%
2018	9,825	(9,584)	241	837,643	1.14%
2017	9,124	(9,092)	32	784,916	1.16%

The notes to the required supplementary information are an integral part of this statement.

LAKE REGION DISTRICT HEALTH UNIT

Notes to the Required Supplementary Information
For the Years Ended December 31, 2021 and 2020

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The Health Unit Board adopts an “appropriated budget” on a basis consistent with accounts principles generally accepted in the United States (GAAP) for the general fund.
- The Health Unit Administrator prepares an annual budget for the general fund of the Health Unit. NDCC 11-23-02. The budget includes proposed expenditures and means of financing them.
- Each county of the Health Unit holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- Each county of the Health Unit, on or before the October meeting shall determine the amount of taxes that shall be levied for Health Unit purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the Health Unit Administrator and the Board at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

The Health Unit Board amended the revenues and expenditure budget for 2021 and 2020 for the general fund as follows:

	REVENUES		
	Original Budget	Amendment	Amended Budget
2021	\$ 2,173,469	\$ 539,051	\$ 2,712,520
2020	2,003,280	489,856	2,493,136

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
2021	\$ 2,173,469	\$ 201,442	\$ 2,374,911
2020	2,003,280	128,737	2,132,017

NOTE 3 CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions decreased from 7.00 percent to 6.50 percent effective January 1, 2021 (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 increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

OPEB

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, 2020.

NOTE 4 PENSION AND OPEB – CHANGES OF ASSUMPTIONS

Pension

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

OPEB

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

NOTE 5 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

LAKE REGION DISTRICT HEALTH UNIT

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2021 and 2020

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Fiscal Year 2020 Expenditures	Fiscal Year 2021 Expenditures	Total Expenditures
US DEPARTMENT OF HEALTH AND HUMAN SERVICES					
93.069	Passed Through The North Dakota Department of Health Public Health Emergency Preparedness	G19.007, G19.257, G19.162, G19.813, G19.777, G19.791, G21.228, G21.013, G21.034	\$ 171,961	\$ 174,176	\$ 346,137
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Progr	G19.607, G19.1214, PF17.260	1,251	500	1,751
93.217	Family Planning Services	G17.1169A, G19.627, G19.1242, G19.1242A	75,056	58,822	133,878
93.268	Immunization Cooperative Agreements	G19.028, G19.880, G21.048, G19.1299, PF19.055	15,535	77,267	92,801
93.391	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	G19.1078, G19.1299	-	110,265	110,265
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Or	G19.860, G19.860A, G19.1346, PF19.031	44,308	131,342	175,650
93.917	HIV Care Formula Grants	G17.1198, G19.654, G19.1260	4,534	234	4,768
93.940	HIV Prevention Activities Health Department Based	PF17.239, PF19.091, PF19.194	575	1,795	2,370
93.994	Maternal and Child Health Services Block Grant to the States	G19.1225	-	290	290
Total U.S Department of Health and Human Services			\$ 313,218	\$ 554,691	\$ 867,909
U.S. DEPARTMENT OF THE TREASURY					
21.019	Passed Through The North Dakota Department of Health COVID-19 - Coronavirus Relief Fund	G19.750, G19.750A, G19.1078	\$ 420,632	\$ 236,210	\$ 656,842
Total U.S Department of the Treasury			\$ 420,632	\$ 236,210	\$ 656,842
U.S. DEPARTMENT OF AGRICULTURE					
10.557	Passed Through The North Dakota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	G19.346, G19.1015, G19.1015A, G21.415	\$ 222,402	\$ 215,981	\$ 438,382
10.578	WIC Grants to States (WGS)	G19.346A	2,142	-	2,142
Total U.S Department of Agriculture			\$ 224,543	\$ 215,981	\$ 440,524
U.S. DEPARTMENT OF THE TRANSPORTATION					
20.616	Passed Through The North Dakota Department of Health National Priority Safety Programs	G19.1042, G21.406, PF19.058	\$ 5,205	\$ 5,542	\$ 10,747
Highway Safety Cluster			\$ 5,205	\$ 5,542	\$ 10,747
U.S. ENVIRONMENTAL PROTECTION AGENCY					
66.605	Passed Through The North Dakota Department of Environmental Quality Performance Partnership Grants	G19-013, G19.088, G21.021	\$ 5,000	\$ 5,849	\$ 10,849
Total U.S Environmental Protection Agency			\$ 5,000	\$ 5,849	\$ 10,849
Total Expenditures of Federal Awards			\$ 968,599	\$ 1,018,273	\$ 1,986,871

* - Noncash Assistance

See notes to the Schedule of Expenditures of Federal Awards

LAKE REGION DISTRICT HEALTH UNIT

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021 and 2020

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Lake Region District Health Unit under programs of the federal government for the years ended December 31, 2021 and 2020. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Lake Region District Health Unit, it is not intended to and does not present the financial position or changes in net position of the Lake Region District Health Unit. Expenditures represent only the federally funded portions of the program. Health Unit records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

Lake Region District Health Unit has not elected to use the 10-percent de minimis cost rate as allowed under Uniform Guidance.

NOTE 4 PASS-THROUGH GRANT NUMBER

For Federal Pass-through programs marked "N/A", the Lake Region District Health Unit was unable to obtain a pass-through grant number.

STATE AUDITOR
Joshua C. Gallion



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

Independent Auditor's Report

Health Unit Board
Lake Region District Health Unit
Devils Lake, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Lake Region District Health Unit as of and for the years ended December 31, 2021 and December 31, 2020, and the related notes to the financial statements, which collectively comprise Lake Region District Health Unit's basic financial statements, and have issued our report thereon dated June 7, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lake Region 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lake Region District Health Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Region 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 identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings and questioned costs* as items 2021-001 and 2021-002 that we consider to be material weaknesses.

LAKE REGION DISTRICT HEALTH UNIT

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lake Region District Health Unit's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Lake Region District Health Unit's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Lake Region District Health Unit's response to the findings identified in our audit and described in the accompanying *schedule of audit findings and questioned costs*. Lake Region District Health Unit's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 7, 2022



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Health Unit Board
Lake Region District Health Unit
Devils Lake, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lake Region District Health Unit's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Lake Region District Health Unit's major federal program for the years ended December 31, 2021 and December 31, 2020. The Lake Region 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.

In our opinion, the Lake Region District Health Unit complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the years ended December 31, 2021 and December 31, 2020.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Lake Region District Health Unit and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Lake Region District Health Unit's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Lake Region District Health Unit's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lake Region District Health Unit's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore

LAKE REGION DISTRICT HEALTH UNIT

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

is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lake Region District Health Unit's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lake Region District Health Unit's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Lake Region District Health Unit's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Lake Region District Health Unit's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 7, 2022

LAKE REGION DISTRICT HEALTH UNIT

Summary of Auditor's Results

For the Years Ended December 31, 2021 and 2020

Financial Statements

Type of Report Issued:
Governmental Activities
Major Funds

Unmodified
Unmodified

Internal control over financial reporting

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

Federal Awards

Internal Control Over Major Programs:

Material weaknesses identified?	<u> </u>	Yes	<u> X </u>	None noted
Reportable conditions identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None noted

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 CFR §200.516 (Uniform Guidance) requirements?

<u> </u>	Yes	<u> X </u>	None noted
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Identification of Major Programs

ALN Number	Name of Federal Program or Cluster
20.019	Coronavirus Relief Fund
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

LAKE REGION DISTRICT HEALTH UNIT

Schedule of Audit Findings and Questioned Costs
For the Years Ended December 31, 2021 and 2020

Section I - Financial Statement Findings

2021-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

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

Effect

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

Cause

Management has chosen to allocate its economic resources to other functions of Lake Region District Health Unit.

Criteria

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of Lake Region District Health Unit.

Repeat Finding

Yes.

Recommendation

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

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

Lake Region District Health Unit's Response

See corrective action plan on page 44.

LAKE REGION DISTRICT HEALTH UNIT

Schedule of Audit Findings and Questioned Costs - Continued

Section II - Federal Award Findings and Questioned Costs

2021-002 CORONAVIRUS RELIEF FUND – LACK OF CONTROLS SURROUNDING PAYROLL – ALN 21.019 - MATERIAL WEAKNESS

Condition

Lake Region District Health Unit does not have adequate controls surrounding payroll approval for the Coronavirus Relief Fund. The Health Unit does have an overall approval of payroll prior to the requests for reimbursement, however, it was noted no timesheets were approved when employees allocated time to the Coronavirus Relief Fund.

Effect

Payroll allocated to the Coronavirus Relief Fund may not be accurate which could result in unallowable costs submitted for reimbursement.

Cause

Lake Region District Health Unit does not have a formal approval process of time allocated to multiple federal programs.

Criteria

According to the "Standards for Internal Control in the Federal Government", "management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities." (Green Book, GAO-14-704G para 10.10.)

Repeat Finding

No.

Recommendation

We recommend Lake Region District Health Unit implement adequate controls surrounding timesheet approval for the Coronavirus Relief Fund to ensure an accurate allocation of payroll to be reimbursed by multiple federal programs.

Lake Region District Health Unit's Response

See corrective action plan on page 44.

LAKE REGION DISTRICT HEALTH UNIT

Management's Corrective Action Plan

For the Year Ended December 31, 2021 and 2020

Date: May 20, 2022

To: Joshua C. Gallion, ND State Auditor

FROM: Sheri Bertsch, Finance Manager

RE: Lake Region District Health Unit – FY2021 and FY2020 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Sheri Bertsch, Finance Manager

Section I – Financial Statement Findings:

2021-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition:

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

Corrective Action Plan:

Agree. LRDHU has assigned an accounting function to another person. Sheri no longer deposits the money in the bank, that is done by an administrative assistant -Mindy Cavanaugh, This was instituted in January of 2022. LRDHU will have the Administrator sign and date the bank reconciliations.

Anticipated Completion Date:

This will be done by June 15, 2022

Section II – Single Audit Findings:

2021-002 CORONAVIRUS RELIEF FUND – LACK OF CONTROLS SURROUNDING PAYROLL – ALN 21.019 - MATERIAL WEAKNESS

Condition:

Lake Region District Health Unit does not have adequate controls surrounding payroll approval for the Coronavirus Relief Fund. The Health Unit does have an overall approval of payroll prior to the requests for reimbursement, however, it was noted no timesheets were approved when employees allocated time to the Coronavirus Relief Fund.

Corrective Action Plan:

Agree, that timesheets were not signed but time worked on coronavirus was monitored by the administrator and the Director of nurses. LRDHU will begin having the Administrator and the Director of Nursing sign employee's time cards.

Anticipated Completion Date:

May 31, 2022

LAKE REGION DISTRICT HEALTH UNIT

Status of Prior Year Recommendations

For the Year Ended December 31, 2021 and 2020

Date: May 20, 2022
To: Joshua C. Gallion, ND State Auditor
FROM: Sheri Bertsch, Finance Manager
RE: Lake Region District Health Unit – FY2021 and FY2020 Schedule of Prior Year Findings

2019-001 LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition:

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

Recommendation

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

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

Current Status: Starting January 2022, Sheri no longer deposits the money in the bank, that is done by administrative assistant – Mindy Cavanaugh.

2019-002 FINANCIAL STATEMENT PREPARATION – MATERIAL WEAKNESS

Condition:

Lake Region District Health Unit currently does not prepare the financial statements, including various adjusting entries and accompanying note disclosures, as required by generally accepted accounting principles (GAAP). Thus, management has elected to have the auditors assist in the preparation of the financial statements and note disclosures.

Recommendation

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

Current Status LRDHU is aware of the risk of having the auditors assist in the preparation of financial statements and note disclosures. We will continue to utilize the auditors to assist in the preparation of the financial statements and note disclosures because we are too small of an agency.

LAKE REGION DISTRICT HEALTH UNIT

Schedule of Audit Findings and Questioned Costs - Continued

2019-003 FRAUD RISK ASSESSMENT – MATERIAL WEAKNESS

Condition:

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

Recommendation

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

Current Status LRDHU performed a Fraud Risk Assessment in 2022 at the recommendation of the State auditors and will continue to evaluate the assessment on an annual basis.

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GOVERNANCE COMMUNICATION

June 7, 2022

Health Unit Board
Lake Region District Health Unit
Devils Lake, North Dakota

We have audited the financial statements of the governmental activities and the major fund of Lake Region District Health Unit, Devils Lake, North Dakota, for the years ended December 31, 2021 and 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 17, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Lake Region District Health Unit are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered into by Lake Region District Health Unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedule lists all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

2020 Adjustments	<u>Audit Adjustments</u>	
<u>To Classify Capital Contribution</u>		
Operating Contribution	\$ 5,700	\$ -
Capital Contribution	-	5,700

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 7, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the *budgetary comparison schedules and notes to the supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
June 7, 2022



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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