

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF DISTRICT BOARD OF HEALTH OFFICERS
DECEMBER 31, 2021

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Upper Missouri District Health Unit as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Upper Missouri 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 each major fund of Upper Missouri District Health Unit, as of December 31, 2021, 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Upper Missouri District Health Unit and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the Financial Statements

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

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 Upper Missouri District Health Unit's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the 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 opinions. 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 generally accepted auditing standards and *Government Auditing Standards* 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 an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 Upper Missouri District Health Unit'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 Upper Missouri 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 management's discussion and analysis, the budgetary comparison information, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer's Share of Net OPEB Liability, Schedule of Employer Contributions – Pension, Schedule of Employer Contributions – OPEB, and Notes to the Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Missouri District Health Unit's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of District Board of Health Officers but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022 on our consideration of Upper Missouri District Health Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Upper Missouri District Health Unit's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upper Missouri District Health Unit's internal control over financial reporting and compliance.



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

September 29, 2022

**UPPER MISSOURI DISTRICT HEALTH UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

As management of the Upper Missouri District Health Unit, we offer readers of the Upper Missouri District Health Unit's financial statements this narrative overview and analysis of the financial activities of Upper Missouri District Health Unit for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which can be found on pages 12-17 of this report.

Financial Highlights

- The assets and deferred outflows of the Upper Missouri District Health Unit exceeded its liabilities and deferred inflows on December 31, 2021 by \$400,058 (net position). The unrestricted portion of net position is showing a deficit of \$258,016, which when positive, may be used to meet the Health Unit's ongoing obligations to creditors.
- The Health Unit's total net position increased to \$400,058 in 2021.
- Upper Missouri District Health Unit's governmental funds reported ending fund balances of \$1,970,567 at December 31, 2021. This was an increase of \$675,304 for 2021.
- Upper Missouri District Health Unit's total liabilities decreased by \$3,014,299 in 2021.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

The Statement of Activities presents information showing how the Upper Missouri District Health Unit's net position changed during 2021. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

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

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

UPPER MISSOURI DISTRICT HEALTH UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021

Fund Financial Statements

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

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-39 of this report.

UPPER MISSOURI DISTRICT HEALTH UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Upper Missouri District Health Unit, assets and deferred outflows exceeded its liabilities and deferred inflows on December 31, 2021 by \$400,058.

The balance of unrestricted net position was (\$258,016) on December 31, 2021.

Table I
Net Position

	Governmental Activities	
	2021	2020
Assets		
Current and other assets	\$ 2,195,276	\$ 2,247,109
Capital assets (net of accumulated depreciation)	658,074	616,945
Total Assets	<u>2,853,350</u>	<u>2,864,054</u>
Deferred outflows of resources	<u>1,705,228</u>	<u>2,194,387</u>
Liabilities		
Current liabilities	273,013	1,024,743
Long-term liabilities	<u>1,406,121</u>	<u>3,668,690</u>
Total Liabilities	<u>1,679,134</u>	<u>4,693,433</u>
Deferred inflows of resources	<u>2,479,386</u>	<u>521,707</u>
Net position (deficit)		
Net Investment in capital assets	658,074	616,945
Unrestricted	<u>(258,016)</u>	<u>(773,644)</u>
Total net position	<u>\$ 400,058</u>	<u>\$ (156,699)</u>

UPPER MISSOURI DISTRICT HEALTH UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021

Governmental Activities

Governmental activities increased net position to \$400,058 in 2021.

Table II
Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues		
Program Revenues		
Charges for Services	\$ 731,671	\$ 988,725
Operating grants and contributions	2,032,950	1,803,007
General Revenues		
Property taxes	1,137,187	869,736
General purpose donations	34,457	39,643
Interest earnings	1,332	2,093
Contract for services	167,114	401
Miscellaneous revenue	66,750	7,580
Total Revenues	<u>4,171,461</u>	<u>3,711,185</u>
Expenses		
Health and welfare	<u>3,614,704</u>	<u>3,715,193</u>
Total expenses	<u>3,614,704</u>	<u>3,715,193</u>
Change in Net Position	556,757	(4,008)
Net Position - January 1	<u>(156,699)</u>	<u>(152,691)</u>
Net Position - December 31	<u><u>\$ 400,058</u></u>	<u><u>\$ (156,699)</u></u>

The Statement of Activities shows the cost of function services and the charges for services and grants and contributions offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues for the year ended December 31, 2021.

Table III
Total and Net Cost of Services

	Governmental Activities			
	Total Cost For	Net (Expense)/	Total Cost For	Net (Expense)/
	Year Ended	Revenue For	Year Ended	Revenue For
	2021	2021	2020	2020
Health and welfare	<u>\$ 3,614,704</u>	<u>\$ (850,083)</u>	<u>\$ 3,715,193</u>	<u>\$ (923,461)</u>

UPPER MISSOURI DISTRICT HEALTH UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021

Financial Analysis of the Government's Funds

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

Governmental Funds

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

Upper Missouri District Health Unit's governmental fund reported an ending fund balance of \$1,970,567 on December 31, 2021, an increase of \$675,304 in 2021.

General Fund Budgetary Highlights

The Health Unit amended its budgets for 2021. In 2021 revenues were increased by \$477,824 from \$3,518,565 to \$3,996,389 and expenditures were decreased by \$251,645 from \$3,758,333 to \$3,506,688. These amendments reflect new COVID response programs added in 2020.

Capital Asset and Debt Administration

Capital Assets

Upper Missouri District Health Unit's investment in capital assets for its governmental activities was \$658,074 on December 31, 2021 (net of accumulated depreciation). This investment in capital assets includes land, building, and equipment/furniture.

Table IV
Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities	
	2021	2020
Land	\$ 51,380	\$ 51,380
Building	258,168	279,800
Equipment/Furniture	345,193	280,765
Software	3,333	-
Construction in Progress	-	5,000
Total Capital Assets	<u>\$ 658,074</u>	<u>\$ 616,945</u>

Additional information on the Upper Missouri District Health Unit's capital assets can be found in Note 5 on page 25 of this report.

Long-Term Debt

Upper Missouri District Health Unit had no outstanding debt as of December 31, 2021.

UPPER MISSOURI DISTRICT HEALTH UNIT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
DECEMBER 31, 2021

Economic Factors

Upper Missouri District Health Unit is comprised of four counties, Divide, McKenzie, Mountrail and Williams, located in northwest North Dakota. The diversified economy includes agriculture, oil and gas industries, and Williston State College. The Coronavirus hit the United States in 2020 continuing on through 2021 and with that came increased Federal grants to help Upper Missouri District Health Unit respond to the pandemic.

The taxable valuation of Divide Co. decreased from \$39,838,121 in 2019 to \$39,156,982 in 2020 and increased to \$39,246,008 in 2021.

The taxable valuation of McKenzie Co. increased from \$285,891,586 in 2019 to \$336,011,651 in 2020 and decreased to \$329,068,853 in 2021.

The taxable valuation of Mountrail Co. increased from \$143,804,337 in 2019 to \$148,825,942 in 2020 and to \$151,909,432 in 2021.

The taxable valuation of Williams Co. increased from \$370,418,866 in 2019 to \$394,584,690 in 2020 and decreased to \$390,028,266 in 2021.

Requests for Information

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

UPPER MISSOURI DISTRICT HEALTH UNIT
STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,728,859
Accounts receivable	267,151
Inventory	194,092
Prepaid expenses	5,174
Total current assets	<u>2,195,276</u>

Capital assets, net of accumulated depreciation

Land	51,380
Building	258,168
Furniture and equipment	345,193
Software	3,333
Total capital assets	<u>658,074</u>
Total assets	<u>2,853,350</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflow - pension	1,681,950
Deferred outflow - OPEB	23,278
Total deferred outflows of resources	<u>1,705,228</u>

LIABILITIES

Current liabilities:

Accounts payable	2,421
Accrued expenses	55,460
Unearned revenue	153,358
Accrued compensated absences - due within one year	61,774
Total current liabilities	<u>273,013</u>

Non-current liabilities:

Accrued compensated absences - due in more than one year	72,552
Net pension liability	1,276,089
Net OPEB liability	57,480
Total non-current liabilities	<u>1,406,121</u>
Total liabilities	<u>1,679,134</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflow - pension	2,457,174
Deferred inflow - OPEB	22,212
Total deferred inflows of resources	<u>2,479,386</u>

NET POSITION

Net investment in capital assets	658,074
Unrestricted	<u>(258,016)</u>
Total net position	<u>\$ 400,058</u>

See Notes to the Financial Statements

UPPER MISSOURI DISTRICT HEALTH UNIT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
Health and welfare	\$ 3,614,704	\$ 731,671	\$ 2,032,950	\$ (850,083)
Total governmental activities	\$ 3,614,704	\$ 731,671	\$ 2,032,950	(850,083)
<u>General Revenues</u>				
Property taxes				1,137,187
Investment earnings				1,332
Donations				34,457
Media				167,114
Miscellaneous income				66,750
Total general revenue				1,406,840
Change in net position				556,757
Net position - beginning of year				(156,699)
Net position - end of year				\$ 400,058

See Notes to the Financial Statements

UPPER MISSOURI DISTRICT HEALTH UNIT
BALANCE SHEET
DECEMBER 31, 2021

ASSETS

Cash and cash equivalents	\$ 1,728,859
Accounts receivable (net of allowance)	267,151
Inventory	194,092
Prepaid expenses	5,174
	<hr/>
Total assets	<u>\$ 2,195,276</u>

LIABILITIES

Accounts payable	\$ 2,421
Accrued expenses	55,460
Unearned revenue	153,358
	<hr/>
Total liabilities	<u>211,239</u>

DEFERRED INFLOWS OF RESOURCES

Delinquent property taxes	<hr/> 13,470
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FUND BALANCES

Nonspendable	199,266
Unassigned	1,771,301
	<hr/>
Total fund balances	<u>1,970,567</u>

Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,195,276</u>
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See Notes to the Financial Statements

UPPER MISSOURI DISTRICT HEALTH UNIT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Total fund balance - governmental funds	\$ 1,970,567
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.

Property taxes	13,470
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Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds

Land	51,380	
Buildings	258,168	
Furniture and equipment	345,193	
Software	3,333	
Net capital assets	658,074	

Long-term liabilities applicable to the Health Unit's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

All liabilities - both current and long-term are reported in the statement of net position.

Compensated absences	(134,326)	
Net pension liability	(1,276,089)	
Net OPEB liability	(57,480)	
Total long-term liabilities	(1,467,895)	

Net deferred outflows (inflows) of resources are related to the net pension liability and the net OPEB liability and are not due in the current period and therefore, are not reported in the funds.

Deferred outflows of resources- derived from pensions	1,681,950	
Deferred outflows of resources- derived from OPEB	23,278	
Deferred inflows of resources- derived from pensions	(2,457,174)	
Deferred inflows of resources- derived from OPEB	(22,212)	
Net deferred outflows (inflows) of resources	(774,158)	

Total net position - governmental activities	\$ 400,058
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UPPER MISSOURI DISTRICT HEALTH UNIT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>
Revenues:	
County Mill levy allocation	\$ 1,123,718
Federal grants	1,455,230
State grants	575,013
Medicare/Medicaid	2,707
Vaccine sales	534,955
Donations	34,457
Investment earnings	1,332
Contract for services	196,716
Media	167,114
Other revenue	66,752
Total revenues	<u>4,157,994</u>
Expenditures:	
Current:	
General government	121,370
Abandoned auto	136,272
AOD	16,678
Body art	313
Bringing baby home	11,669
Car seat	4,533
COVID 19	480,627
COVID state grant	208,869
Daycare inspection	2,798
Emergency-County	21,218
Family planning	305,898
Food inspections	23,990
General	258,551
Health alert network	4,706
Health equity initiative	34,554
Health maintenance	83,145
HIV testing	404
Immunization initiative	182,536
Immunizations	518,411
InJoy online courses	968
Media campaign	137,792
Partnership for success	95,183
Pediatric influenza vaccine	8,491
Pool/Spa inspections	2,297
Regional public health network	4
Ryan White	7,515
Sewer	22,946
State EH	34,318
State opioid response	24,916
State tobacco comm hlth	241,601
Substance abuse prevention	37,495
Suicide prevention	11,000
Tanning facility inspection	1,045
TB	1,336
Water pollution	3,495
WIC	208,789
Worksite wellness	8,628
Emergency-Regional	103,588
Capital outlays	114,743
Total expenditures	<u>3,482,690</u>
Net change in fund balances	675,304
Fund balance - beginning of year	<u>1,295,263</u>
Fund balance - end of year	<u>\$ 1,970,567</u>

See Notes to the Financial Statements

UPPER MISSOURI DISTRICT HEALTH UNIT
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR-ENDED DECEMBER 31, 2021

Net change in fund balances - total governmental funds \$ 675,304

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

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

Capital outlay	114,743	
Depreciation expense	(73,611)	
Total	41,132	

Based on receipt dates, some revenues are not considered available revenue
and are unavailable in the governmental funds.

Delinquent property taxes	13,470
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Changes in deferred outflows and inflows relating to net pension liability	(2,423,772)
Changes in deferred outflows and inflows relating to net OPEB liability	(23,069)

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

Net increase in net pension liability	2,261,990	
Net decrease in net OPEB liability	28,008	
Total	2,273,692	

Net change in net position of government activities	\$ 556,757
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See Notes to the Financial Statements

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Basis of Presentation

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

Government-wide Financial Statements

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Fund Balance Classification Policies and Procedures

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

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

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

Fund Financial Statements

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

The Health Unit reports the following major governmental fund:

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

Measurement Focus/Basis of Accounting

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Inventories

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

Capital Assets

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

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

Buildings	30 years
Furniture and Equipment	5-10 years
Software	3 years

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Accounts Payable

Accounts payable consists of amount on open account for goods and services received prior to December 31, 2021 and chargeable to appropriations for the year then ended but paid subsequent to that date.

Accrued Expenses

Accrued Expenses consists of December's employee benefits and withholding taxes that are paid in January of the following year.

Compensated Absences

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

Grant Revenue Recognition

The governmental grants received by the Health Unit are recognized as revenue at the time eligible expenditures are incurred. The grants are accounted for as exchange transactions due to the government's solicitation of proposals, approval of allowable expenditures and eligibility requirements. Grant funds received prior to expenditure are recorded as refundable advances on the statement of net position. These funds are to be repaid to the grantor if they are not used on eligible expenditures.

Deferred Outflows/Inflows of Resources

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

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

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

Other Post Employment Benefits (OPEB)

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

Unearned Revenue

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

Equity Classifications

Government-wide Financial Statements

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

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

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Use of Estimates

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

NOTE 2 LEGAL COMPLIANCE – BUDGETS

The Board of Health approved the following amendments to the budget for the year ended December 31, 2021:

Revenues			
<u>Fund</u>	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
General	<u>\$ 3,518,565</u>	<u>\$ 477,824</u>	<u>\$ 3,996,389</u>
Expenditures			
<u>Fund</u>	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
General	<u>\$ 3,758,333</u>	<u>\$ (251,645)</u>	<u>\$ 3,506,688</u>

NOTE 3 DEPOSITS

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

Credit Risk:

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

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

As of December 31, 2021, the Health Unit had no investments.

Custodial Credit Risk

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

The Health Unit maintains cash on deposit at a financial institution. The amount on deposit was insured by the FDIC up to \$250,000. At December 31, 2021, none of the Health Unit's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$1,515,496 of the Health Unit's deposits are covered by pledged securities held in the Health Unit's name. These pledged securities exceed 110% of the uninsured balance.

Concentration of Credit Risk:

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

NOTE 4 INVENTORIES

Inventories at December 31, 2021, consist of the following:

Vaccine and contraceptive inventory	\$ 194,092
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UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended December 31, 2021 was as follows:

	Balance 1/1/21	Additions	Deductions	Balance 12/31/21
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 51,380	\$ -	\$ -	\$ 51,380
Deposit on equipment	207,245	-	207,245	-
Deposit on software	5,000	-	5,000	-
Total capital assets not being depreciated	<u>263,625</u>	<u>-</u>	<u>212,245</u>	<u>51,380</u>
Capital assets being depreciated:				
Buildings and improvements	614,499	-	-	614,499
Furniture and equipment	100,101	321,985	-	422,086
Software	-	5,000	-	5,000
Total capital assets at historical cost	<u>714,600</u>	<u>326,985</u>	<u>-</u>	<u>1,041,585</u>
Less accumulated depreciation:				
Buildings and improvements	334,699	21,632	-	356,331
Furniture and equipment	26,581	50,312	-	76,893
Software	-	1,667	-	1,667
Total accumulated depreciation	<u>361,280</u>	<u>73,611</u>	<u>-</u>	<u>434,891</u>
Total capital assets being depreciated, net	<u>353,320</u>	<u>253,374</u>	<u>-</u>	<u>606,694</u>
Net capital assets	<u>\$ 616,945</u>	<u>\$ 253,374</u>	<u>\$ 212,245</u>	<u>\$ 658,074</u>

Depreciation expense of \$73,611 was allocated to Health and Welfare.

NOTE 6 LONG TERM LIABILITIES

During the year ended December 31, 2021, the following changes occurred in liabilities reported as long-term in the statement of net position:

	Compensated Absences
Balance January 1, 2021	\$ 118,020
Additions	51,021
Reductions	<u>(34,715)</u>
Balance December 31, 2021	134,326
Less current portion	<u>61,774</u>
Long-term portion	<u><u>\$ 72,552</u></u>

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 7 PENSION PLAN

North Dakota Public Employees' Retirement System (Main System)

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

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

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

Pension Benefits

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

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each 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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At December 31, 2021, the Health Unit reported a liability of \$1,276,089 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, the Health Unit's proportion was 0.122430 percent, which was an increase of 0.009968 percent from its proportion measured at June 30, 2020.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

For the year ended December 31, 2021, the Health Unit recognized pension expense of \$270,551. At December 31, 2021, the Health Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,031	\$ (130,242)
Changes of assumptions	1,412,382	(1,841,451)
Net difference between projected and actual earnings on pension plan investments	-	(473,281)
Changes in proportion and differences between employer contributions and proportionate share of contributions	191,017	(12,200)
Employer contributions subsequent to the measurement date	56,520	-
Total	<u>\$ 1,681,950</u>	<u>\$ (2,457,174)</u>

There is \$56,520 reported as deferred outflows of resources related to pensions resulting from the Health Unit's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2022.

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

Year ended December 31:

2022	\$ (87,284)
2023	(174,401)
2024	(137,348)
2025	(432,711)

Actuarial assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

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

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
Global Real Assets	19%	4.77%

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%.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 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%
Employer's proportionate share of the net pension liability	<u>\$ 2,029,410</u>	<u>\$ 1,276,089</u>	<u>\$ 648,830</u>

Pension Plan Fiduciary Net Position

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

NOTE 8 OTHER POST EMPLOYMENT BENEFITS

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

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

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

OPEB Benefits

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

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

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

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

At December 31, 2021, the Health Unit reported a liability of \$57,480 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Health Unit's proportion of the net OPEB liability was based on the Health Unit's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the Health Unit's proportion was 0.10335 percent, which was a decrease of 0.001724 percent from its proportion measured at June 30, 2020.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

For the year ended December 31, 2021, the Health Unit recognized OPEB expense of \$8,679. At December 31, 2021, the Health Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,301	\$ (1,576)
Changes of assumptions	8,901	-
Net difference between projected and actual earnings on OPEB plan investments	-	(19,694)
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,426	(942)
Employer contributions subsequent to the measurement date	6,650	-
Total	<u>\$ 23,278</u>	<u>\$ (22,212)</u>

\$6,650 reported as deferred outflows of resources related to OPEB resulting from the Health Unit's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2022.

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

Year ended December 31:

2022	\$ (365)
2023	(507)
2024	(1,363)
2025	(3,627)
2026	278

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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 of 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	26%	6.25%
Core-Plus Fixed Industries	35%	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.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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%
Employer's proportionate share of the net OPEB liability	\$ 85,251	\$ 57,480	\$ 33,983

OPEB Plan Fiduciary Net Position

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

NOTE 9 RISK MANAGEMENT

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

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

NOTE 10 CONTINGENCIES

The Health Unit received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The Health Unit's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the Health Unit as of December 31, 2021.

NOTE 11 JOINT POWERS AGREEMENT

As of August 28, 2003, Upper Missouri District Health Unit entered into a Joint Powers Agreement with Williams County to provide a new facility to house the Health Unit and the Williams County Social Service Office. Under the agreement, the Health Unit and the county will share the cost of the land, building, renovation costs, and all future expenses. The allocation of the costs is based

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

on the initial allocation of space utilized by each entity. The Upper Missouri District Health Unit is responsible for 35% of the space and the Williams County Social Service Office is responsible for the remaining 65%. Ownership of the facility is also allocated according to this rate.

NOTE 12 FUTURE PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

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

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

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Health Unit's year end. Subsequent events were evaluated through September 29, 2022, which is the date these financial statements were available to be issued.

UPPER MISSOURI DISTRICT HEALTH UNIT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Variance Final to Actual
Revenues:				
County Mill levy allocation	\$ 1,007,944	\$ 1,007,944	\$ 1,123,718	\$ 115,774
Federal grants	773,900	1,280,624	1,457,937	177,313
State grants	493,407	493,407	575,013	81,606
Vaccine Sales	640,000	615,000	534,955	(80,045)
Donations	52,000	52,000	34,457	(17,543)
Investment Earnings	6,000	2,100	1,332	(768)
Contract for services	91,000	91,000	196,716	105,716
Media	289,197	289,197	167,114	(122,083)
Other revenue	165,117	165,117	66,752	(98,365)
Total revenues	<u>3,518,565</u>	<u>3,996,389</u>	<u>4,157,994</u>	<u>161,605</u>
Expenditures:				
Current:				
Salaries	1,698,095	1,620,309	1,700,117	(79,808)
Fringes	763,982	689,797	426,538	263,259
Payroll tax	-	-	128,382	(128,382)
Contractual	210,000	210,000	313,216	(103,216)
Statewide media	230,000	230,000	165,475	64,525
Travel	50,474	40,000	23,968	16,032
Supplies	650,000	475,000	431,391	43,609
Rent	18,663	18,663	18,480	183
Utilities	12,860	12,860	9,840	3,020
Janitorial	18,767	18,767	18,664	103
Depreciation	25,692	25,692	-	25,692
Maintenance	4,000	4,000	5,558	(1,558)
Copies	5,500	5,500	-	5,500
Postage	4,800	4,800	4,161	639
Phone	17,500	17,500	18,707	(1,207)
Equipment	3,000	88,800	35,546	53,254
Other expenses	45,000	45,000	67,904	(22,904)
Capital outlay	-	-	114,743	(114,743)
Total expenditures	<u>3,758,333</u>	<u>3,506,688</u>	<u>3,482,690</u>	<u>23,998</u>
Net change in fund balances	<u>\$ (239,768)</u>	<u>\$ 489,701</u>	675,304	<u>\$ 137,607</u>
Fund balance - beginning of year			1,295,263	
Fund balance - end of year			<u>\$ 1,970,567</u>	

See Notes to Required Supplementary Information

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

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's 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	0.12243%	\$ 1,276,089	\$ 1,390,198	91.79%	78.26%
2020	0.11246%	3,538,079	1,240,595	285.19%	48.91%
2019	0.10927%	1,280,759	1,136,626	112.68%	71.66%
2018	0.11082%	1,870,208	1,138,472	164.27%	62.80%
2017	0.09850%	1,583,266	1,005,563	157.45%	61.98%
2016	0.10560%	1,029,146	1,064,173	96.71%	70.46%
2015	0.09373%	637,641	835,013	76.36%	77.15%

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

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

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2021	0.103350%	\$ 57,480	\$ 1,198,267	4.80%	76.63%
2020	0.101626%	85,488	1,158,506	7.38%	63.38%
2019	0.101861%	81,813	1,136,626	7.20%	63.13%
2018	0.104044%	81,942	1,138,472	7.20%	61.89%

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

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

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2021	\$ 109,352	\$ (109,352)	\$ -	\$ 1,488,856	7.34%
2020	87,845	(85,216)	2,629	1,240,595	6.87%
2019	82,753	(84,767)	(2,014)	1,136,626	7.46%
2018	83,853	(76,991)	6,862	1,138,472	6.76%
2017	72,915	(71,744)	1,171	1,005,563	7.13%
2016	77,044	(81,900)	(4,856)	1,064,173	7.70%
2015	63,426	(68,990)	(5,564)	835,013	8.26%

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

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

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2021	\$ 13,628	\$ (13,628)	\$ -	\$ 1,195,433	1.14%
2020	13,610	(13,549)	61	1,158,506	1.17%
2019	13,219	(13,572)	(353)	1,136,626	1.16%
2018	13,354	(12,327)	1,027	1,138,472	1.17%

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

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 BUDGET INFORMATION

Budgets and Budgetary Accounting

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

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10. The budget was not amended in fiscal year 2021.

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

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

Legal Compliance

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

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

NOTE 2 CHANGE OF BENEFIT TERMS AND ASSUMPTIONS

NDPERS Pension Plan

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 7.0 percent to 6.5 percent effective January 1, 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 will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Changes of Assumptions

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

NDPERS OPEB

Changes of Benefit Terms

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

Changes of Assumptions

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

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Federal AL Number	Pass- Through Grant Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through the ND Department of Health: Special Supplemental Nutrition Program for Women, Infant and Children	10.557	G19.1024	<u>\$ 199,616</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through the ND Department of Health: Performance Partnership Grants	66.605	G19.090	<u>2,469</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the ND Department of Health:			
		G21.026 G19.778 G19.821	
Public Health Emergency Preparedness	93.069		23,168
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	G19.1217	1,004
Family Planning Services	93.217	G19.1248B	109,397
Immunization Cooperative Agreements	93.268	G19.1312/G21.061	214,773
Activities to Support State, Tribal, Local and Territorial Health Department Response to Public Health or Healthcare Crises	93.391	G19.1312	134,562
HIV Care Formula Grants	93.917	G19.1263A	9,702
HIV Prevention Activities Health Department Based	93.940	PF19.206	3,925
Maternal and Child Health Services Block Grant to the States	93.994	G19.1231A	<u>1,211</u>
Total U.S. Department of Health and Human Services			<u>497,742</u>
Passed through Southwest District Health Unit Public Health Emergency Preparedness	93.069	G19.778/G21.035	<u>102,220</u>
<u>U.S. Department of Treasury</u>			
Passed through the ND Department of Health: COVID -19 Coronavirus Relief Fund	21.019	G19.763C/G19.763D	<u>653,183</u>
Total Federal Expenditures			<u>\$ 1,455,230</u>

See Notes to the Schedule of Expenditures of Federal Awards

UPPER MISSOURI DISTRICT HEALTH UNIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of the Upper Missouri District Health Unit under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Upper Missouri District Health Unit, it is not intended to and does not present the financial position or change in net position of the Upper Missouri District Health Unit.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Upper Missouri District Health Unit, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Upper Missouri District Health Unit's basic financial statements and have issued our report thereon dated September 29, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2021-001 through 2021-003 that we considered to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upper Missouri 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*.

Upper Missouri District Health Unit's Responses to Findings

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

Purpose of this Report

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



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

September 29, 2022

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

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

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited Upper Missouri 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 each of Upper Missouri District Health Unit's major federal programs for the year ended December 31, 2021. Upper Missouri District Health Unit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Upper Missouri District Health Unit complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Upper Missouri 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 Upper Missouri 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 Upper Missouri 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 Upper Missouri District Health Unit's compliance based on our audit. 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 generally accepted auditing standards, *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 Upper Missouri District Health Unit's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Upper Missouri 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 Upper Missouri 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 Upper Missouri 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-004. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-004, to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Upper Missouri District Health Unit's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Upper Missouri District Health Unit's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



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

September 29, 2022

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> x </u> yes	<u> </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no	
Significant deficiency(ies) identified?	<u> x </u> yes	<u> </u> none reported	
Type of auditor’s report issued on compliance for major programs:	<u>Unmodified</u>		
Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?	<u> x </u> yes	<u> </u> no	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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21.019	COVID-19 Coronavirus Relief Fund
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Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as a low-risk auditee?	<u> </u> yes <u> x </u> no

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Section II – Financial Statement Findings

2021-001: Preparation of Financial Statements - Material Weakness

Criteria

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

Condition

The Health Unit's auditors prepared the financial statements, including all note disclosures, as of December 31, 2021.

Cause

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

Effect

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

Recommendation

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

Indication of Repeat Finding

This is a repeat finding of finding 2020-001 from the prior year.

Views of Responsible Officials and Planned Corrective Actions

Since it is not cost-effective for an organization of our size to have staff to prepare audit-ready financial statements, we have chosen to hire Brady Martz, a public accounting firm, to prepare audit financial statements as part of our annual audit. UMDHU accounting personnel will attend a GASB training.

2021-002: Proposition of Journal Entries - Material Weakness

Criteria

The Health Unit is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made those the general ledger accounts are properly reflected in compliance with accounting principles generally accepted in the United States of America.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance accounting principles generally accepted in the United States of America.

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Cause

The Health Unit's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance accounting principles generally accepted in the United States of America.

Effect

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

Recommendation

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

Indication of Repeat Finding

This is a repeat finding of finding 2020-002 from the prior year.

Views of Responsible Officials and Planned Corrective Actions

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

2021-003: Segregation of Duties – Material Weakness

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Indication of Repeat Finding

Repeat Finding 2020-003

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Views of Responsible Officials and Planned Corrective Actions

UMDHU is working to improve segregation of duties. Processes have been improved to strengthen internal controls. The number of UMDHU personnel limits the ability of segregation to some degree.

Section III – Federal Award Findings and Questioned Costs

2021-004: Allowable Costs/Costs Principals – Significant Deficiency

AL #20.019 Coronavirus Relief Fund – COVID-19

Criteria

The Health Unit should charge costs to the grant which are allowable. Also, documentation should be kept that supports that employees are being paid the correct amounts based on approved rates to ensure only approved amounts are charged to the grant.

Condition

Of the 34 payroll transactions tested, we noted one instance where one employee's allocation to the grant did not match to the amount of time spent on the grant per the employee's time sheet.

Cause

The Health Unit did not properly execute its policies and procedures for review of payroll disbursements.

Effect

Grant awards potentially overcharged.

Recommendation

We recommend the Health Unit follow and properly execute its policies and procedures it has in place related to payroll expenditures.

Indication of Repeat Finding

New finding in the current year.

Questioned Costs

\$459.93

Views of Responsible Officials and Planned Corrective Actions

UMDHU will follow and properly execute policies and procedures for review of payroll disbursements.

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

2020-001: Preparation of Financial Statements – Material Weakness

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Current Status

This finding is repeated in the current year as 2021-001.

2020-002: Proposition of Journal Entries – Material Weakness

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

UPPER MISSOURI DISTRICT HEALTH UNIT
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Current Status

This finding is repeated in the current year as 2021-002

2020-003: Segregation of Duties – Material Weakness

Criteria

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

Condition

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

Cause

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

Effect

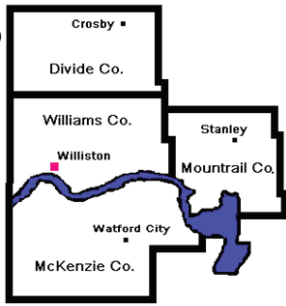
The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

This finding is repeated in the current year as 2021-003



Upper Missouri District Health Unit

"Your Public Health Professionals"

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

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

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

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

Corrective Action Plan for the year ended December 31, 2021

2021-001 – Preparation of Financial Statements

Contact Person
Javayne Oyloe

Corrective Action Plan

Since it is not cost-effective for an organization of our size to have staff to prepare audit-ready financial statements, we have chosen to hire Brady Martz, a public accounting firm, to prepare audit financial statements as part of our annual audit. UMDHU accounting personnel will attend a GASB training.

Completion Date

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

2021-002 – Proposition of Journal Entries

Contact Person
Javayne Oyloe

Corrective Action Plan

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

Completion Date

Upper Missouri District Health Unit will reduce journal entries by December 31, 2022.

2021-003 – Segregation of Duties

Contact Person
Javayne Oyloe

Corrective Action Plan

UMDHU is working to improve segregation of duties. Processes have been improved to strengthen internal controls. The number of UMDHU personnel limits the ability of segregation to some degree.

Completion Date

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

2021-004 – Allowable costs/costs principals

Contact Person

Javayne Oyloe

Corrective Action Plan

UMDHU will follow and properly execute policies and procedures for review of payroll disbursements.

Completion Date

Upper Missouri District Health Unit will follow policies and procedures by December 31, 2022.