



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Upper Missouri District Health Unit

Williston, North Dakota

Audit Report for the Year Ended December 31, 2023

Client Code: PS53050



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Office of the
State Auditor

UPPER MISSOURI DISTRICT HEALTH UNIT

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UPPER MISSOURI DISTRICT HEALTH UNIT

Health Unit Officials

December 31, 2023

OFFICIALS

December 31, 2023

Art Schilke	President
Joseph Adducci	District Health Officer
Joan M. Hollekim	Board Member
Janet Johnson	Board Member
Ross Eriksmoen	Board Member
Kathy Skarda	Board Member
Steve Kemp	Board Member
Corey Johnson	Board Member
Shannon Moser	Finance Manager

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2023, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Upper Missouri District Health Unit, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2022 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards* Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Missouri District Health Unit's basic financial statements. The *schedule of expenditures of federal awards* and *notes to the schedule of expenditures of federal awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of expenditures of federal awards* and *notes to the schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2024 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
July 24, 2024

UPPER MISSOURI DISTRICT HEALTH UNIT

Statement of Net Position

December 31, 2023

	Primary Government
ASSETS	
Cash	\$ 2,699,397
Intergovernmental Receivable	302,948
Prepaid Expenses	96,251
Taxes Receivable	12,104
Inventory	258,060
Capital Assets	
Depreciable, Net	<u>458,918</u>
Total Assets	<u>\$ 3,827,678</u>
DEFFERED OUTFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 1,746,983</u>
LIABILITIES	
Accounts Payable	\$ 505
Accrued Expenses	51,722
Long-Term Liabilities	
Due Within One Year	
Compensated Absences Payable	10,369
Due After One Year	
Compensated Absences Payable	93,319
Net Pension Liability	<u>2,520,420</u>
Total Liabilities	<u>\$ 2,676,335</u>
DEFFERED INFLOWS OF RESOURCES	
Derived from Pension and OPEB	<u>\$ 1,974,540</u>
NET POSITION	
Net Investment in Capital Assets	\$ 458,918
Unrestricted	<u>464,868</u>
Total Net Position	<u><u>\$ 923,786</u></u>

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

UPPER MISSOURI DISTRICT HEALTH UNIT

Statement of Activities

For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
Governmental Activities				
Health & Welfare	\$ 3,752,199	\$ 1,209,189	\$ 1,721,281	\$ (821,729)
General Revenues				
Taxes				\$ 1,112,886
Interest				58,202
Miscellaneous Revenue				11,861
Total General Revenues				\$ 1,182,949
Change in Net Position				\$ 361,220
Net Position - January 1				\$ 680,209
Prior Period Adjustment				\$ (117,643)
Net Position - January 1, as restated				\$ 562,566
Net Position - December 31				\$ 923,786

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

UPPER MISSOURI DISTRICT HEALTH UNIT

Balance Sheet – Governmental Funds

December 31, 2023

	General Fund
ASSETS	
Cash	\$ 2,699,397
Intergovernmental Receivable	302,948
Prepaid Expenses	96,251
Taxes Receivable	12,104
Inventory	<u>258,060</u>
Total Assets	<u><u>\$ 3,368,760</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities	
Accounts Payable	\$ 505
Accrued Expenses	<u>51,722</u>
Total Liabilities	<u>\$ 52,227</u>
Deferred Inflows of Resources	
Taxes Receivable	<u>\$ 12,104</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 64,331</u>
Fund Balances	
Non-Spendable	
Prepaid Expenses	\$ 96,251
Inventory	258,060
Unassigned	<u>2,950,118</u>
Total Fund Balances	<u>\$ 3,304,429</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 3,368,760</u></u>

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

UPPER MISSOURI DISTRICT HEALTH UNIT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2023

Total Fund Balances of Governmental Funds	\$ 3,304,429
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Total *net position* reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.	458,918
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Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflow of resources in the funds.	12,104
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Deferred outflows and inflows of resources related to pensions & OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pension & OPEB Liability	\$ 1,746,983	
Deferred Inflows Related to Pension & OPEB Liability	<u>(1,974,540)</u>	(227,557)

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

Compensated Absences	\$ (103,688)	
Net Pension and OPEB Liability	<u>(2,520,420)</u>	<u>(2,624,108)</u>

Total Net Position of Governmental Activities	\$ <u>923,786</u>
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The notes to the financial statements are an integral part of this statement.

UPPER MISSOURI DISTRICT HEALTH UNIT

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2023

	General Fund
REVENUES	
Taxes	\$ 1,113,593
Intergovernmental	1,721,281
Charges for Services	1,209,189
Interest Income	58,202
Miscellaneous	11,861
	<hr/>
Total Revenues	\$ 4,114,126
	<hr/>
EXPENDITURES	
Health and Welfare	
Salaries	\$ 1,688,120
Fringes	746,736
Contractual	173,169
Advertising	22,197
Travel	48,533
Supplies	651,506
Rent	21,829
Utilities	11,493
Janitorial	19,362
Maintenance	5,088
Postage	6,044
Phone	20,164
Equipment	1,278
Other Expenses	75,668
Capital Outlay	23,537
Miscellaneous	325
	<hr/>
Total Expenditures	\$ 3,515,049
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ 599,077
	<hr/>
Net Change in Fund Balances	\$ 599,077
	<hr/>
Fund Balance - January 1	\$ 2,822,995
	<hr/>
Prior Period Adjustment	\$ (117,643)
	<hr/>
Fund Balance - January 1, As Restated	\$ 2,705,352
	<hr/>
Fund Balance - December 31	\$ 3,304,429
	<hr/>

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

UPPER MISSOURI DISTRICT HEALTH UNIT

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

For the Year Ended December 31, 2023

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$	599,077
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Depreciation Expense	(105,993)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Compensated Absences	12,348
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Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures.

Net Change in Taxes Receivable	(707)
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The Net Pension and OPEB Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Net Pension and OPEB Liability	\$	1,424,691	
Net Change in Deferred Outflows of Resources		(1,083,304)	
Net Change in Deferred Inflows of Resources		<u>(484,892)</u>	<u>(143,505)</u>

Change in Net Position of Governmental Activities	<u><u>\$</u></u>	<u><u>361,220</u></u>
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The notes to the financial statements are an integral part of this statement.

UPPER MISSOURI DISTRICT HEALTH UNIT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation

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

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

Fund Financial Statements. The fund financial statements provide information about the Health Unit's funds. 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 funds:

General Fund - This is the Health Unit's primary operating fund. It accounts for all financial resources of the general government.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

UPPER MISSOURI DISTRICT HEALTH UNIT
Notes to the Financial Statements – Continued

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

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

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

Cash and Investments

Cash includes amounts in demand deposits and money market accounts.

The investments of the Health Unit consist of certificates of deposit stated at cost with maturities in excess of three months as well as municipal bonds that are recorded at fair market value.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. They are stated at lower of cost or net realizable value 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 which include land, buildings, furniture, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased 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.

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

Buildings	15-30
Vehicles	5-7
Computer Equipment	7
Land and Improvements	99

Compensated Absences

Full-time employees are entitled to annual vacation and medical leave benefits. Vacation leave is earned at the rate of one to two days per month depending on years of service. Up to 240 hours of vacation leave may be carried over. Sick leave benefits are earned at the rate of one day per month regardless of the years of service. 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

UPPER MISSOURI DISTRICT HEALTH UNIT
Notes to the Financial Statements – Continued

medical leave balance providing the individual was employed with the Health Unit for 10 consecutive years. A liability for the vested or accumulated vacation and sick leave is reported in government-wide statement of net position.

Long-Term Obligations

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

Pension

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

Other Post-Employment Benefits (OPEB)

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

Fund Balances

Nonspendable Fund Balances. Nonspendable fund balances includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Unassigned Fund Balances. Unassigned fund balances includes positive fund balance within the General Fund which has not been classified within the above mentioned categories.

Net Position

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

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

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

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

NOTE 2 PRIOR PERIOD ADJUSTMENTS

Net Position/Fund Balance of the Health Unit as of January 1, 2023 has been restated for adjustments to accounts receivable as shown below. The results of the adjustments decreased Net Position/Fund Balance for the Health Unit.

Governmental Activities	Government Wide	General Fund
Beginning Net Position/Fund Balance, as previously reported	\$ 680,209	\$ 2,822,995
Adjustments to restate the January 1, 2023 Net Position/Fund Balance:		
Intergovernmental Receivable	(117,643)	(117,643)
Net Position/Fund Balance January 1, as restated	\$ 562,566	\$ 2,705,352

NOTE 3 DEPOSITS

Custodial Credit Risk

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

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

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

At year ended December 31, 2023, the Health Unit's carrying amount of deposits totaled \$2,698,972 and the bank balances totaled \$2,808,935. Of the bank balances, \$409,181 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 PROPERTY TAXES

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2023 for the Health Unit:

2023	Balance Jan 1	Increases	Decreases	Balance Dec 31
Capital Assets Not Being Depreciated				
Land	\$ 51,380	\$ -	\$ -	\$ 51,380
Total Capital Assets Not Being Depreciated	\$ 51,380	\$ -	\$ -	\$ 51,380
Capital Assets, Being Depreciated				
Buildings and Improvements	\$ 614,499	\$ -	\$ -	\$ 614,499.00
Furniture and Equipment	414,891	-	-	414,891
Software	5,000	-	-	5,000
Total Capital Assets, Being Depreciated	\$ 1,034,390	\$ -	\$ -	\$ 1,034,390
Less Accumulated Depreciation				
Buildings and Improvements	\$ 377,960	\$ 5,482	\$ -	\$ 383,442.00
Furniture and Equipment	139,566	98,844	-	238,410
Software	3,333	1,667	-	5,000
Total Accumulated Depreciation	\$ 520,859	\$ 105,993	\$ -	\$ 626,852
Total Capital Assets Being Depreciated, Net	\$ 513,531	\$ (105,993)	\$ -	\$ 407,538
Capital Assets, Net	\$ 564,911	\$ (105,993)	\$ -	\$ 458,918

Depreciation expense was charged to the health and welfare function.

NOTE 6 LONG-TERM LIABILITIES

Primary Government

During the year ended December 31, 2023, the following changes occurred in governmental activities long-term liabilities:

	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
2023					
Long-Term Debt					
Compensated Absences	\$ 116,036	\$ 116,972	\$ 129,320	\$ 103,688	\$ 10,369
Net Pension and OPEB Liability *	3,945,111	-	1,424,691	2,520,420	-
Total Primary Government	\$ 4,061,147	\$ 116,972	\$ 1,554,011	\$ 2,624,108	\$ 10,369

* The change in Net Pension & OPEB Liability is shown as a net change.

NOTE 7 PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At December 31, 2023, the following net pension liabilities were reported:

	Net Pension Liability
2023	\$ 2,402,950

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on its respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. The entities had the following proportions and change in proportions at June 30, 2023 and reported the following pension expense for the year ended December 31, 2023:

UPPER MISSOURI DISTRICT HEALTH UNIT
Notes to the Financial Statements – Continued

		Increase (Decrease) in Proportion from June 30, 2022 and 2023 Measurement	
	Proportion		Pension Expense
2023	0.124618%	(0.00007548)	\$ 250,560

At December 31, 2023, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 78,224	\$ 13,252
Changes in Assumptions	1,325,014	1,823,900.00
Net Difference Between Projected and Actual Investment		-
Earnings on Pension Plan Investments	63,049	-
Changes in Proportion and Differences Between Employer		-
Contributions and Proportionate Share of Contributions	172,009	125,854.00
Contributions - Employer	104,777	-
Total Deferred Outflow and Inflow of Resources	\$ 1,743,073	\$ 1,963,006

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023:

Primary Government	\$ 104,777
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Health District
2024	\$ 52,421
2025	(247,930)
2026	26,078
2027	(155,279)
2028 and Thereafter	-

Actuarial Assumptions

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	3.5% to 17.75% including inflation
Investment Rate of Return	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 Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

UPPER MISSOURI DISTRICT HEALTH UNIT
Notes to the Financial Statements – Continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.33%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Proportionate Share of the Net Pension Liability	\$ 3,313,090	\$ 2,402,950	\$ 1,647,917

Pension Plan Fiduciary Net Position

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

NOTE 8 OTHER POST EMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

UPPER MISSOURI DISTRICT HEALTH UNIT
Notes to the Financial Statements – Continued

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

At December 31, 2023, the following net OPEB liabilities were reported:

	Net OPEB Liability
2023	\$ 117,470

The net OPEB liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. The entities had the following proportions and change in proportions at June 30, 2023 and reported the following OPEB expense for the year ended December 31, 2023:

	Proportion	Increase (Decrease) in Proportion from June 30, 2022 and 2023 Measurement	OPEB Expense
2023	0.11749900%	0.0019940%	\$ 25,413

At December 31, 2023, the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,210	\$ 1,344
Changes of Assumptions	25,054	9,728
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	8,485	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	7,053	462
Contributions - Employer	16,776	-
Total Deferred Outflow and Inflow of Resources	\$ 59,578	\$ 11,534

The following amounts were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023:

Primary Government	\$ 16,776
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

	Health District
2024	\$ 11,920
2025	9,440
2026	12,931
2027	(3,023)
2028 and Thereafter	-

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not applicable
Investment rate or return	5.75%, 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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.10%
Domestic Fixed Income	35%	2.59%
International Equities	26%	6.50%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. 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.

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, 2023, calculated using the discount rate of 5.75%, 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 (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
Proportionate Share of the OPEB Liability	\$ 154,384	\$ 117,470	\$ 86,392

NOTE 9 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance Reserve Fund (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 Health Unit pays an annual premium to NDIRF for its general liability insurance coverage. For the Health Unit the coverage by NDIRF is limited to losses of two million dollars per occurrence.

The Health Unit also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Health Unit pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the Health Unit with blanket fidelity bond coverage in the amount of \$1,560,816 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

NOTE 10 JOINT POWERS AGREEMENT

As of August 28, 2003, Upper Missouri District Health Unit entered into a Joint Powers Agreement with Williams County to provide a new facility to house the Health Unit and the Williams County Social Service Office. Under the agreement, the Health Unit and the county will share the cost of the land, building, renovation costs, and all future expenses. The allocation of the costs is based on the initial allocation of space utilized by each entity. The Upper Missouri District Health Unit is responsible for 35% of the space and the Williams County Social Service Office is responsible for the remaining 65%. Ownership of the facility is also allocated according to this rate. There are no separately issued financial statements for this joint venture.

NOTE 11 INVENTORIES

Inventories at December 31, 2023, consist of the following:

Vaccine Inventory	\$ 251,087
Contraceptive Inventory	6,973
Total Inventory	<u>\$ 258,060</u>

UPPER MISSOURI DISTRICT HEALTH UNIT

Budgetary Comparison Schedule - General Fund

December 31, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 1,220,200	\$ 1,186,600	\$ 1,113,593	\$ (73,007)
Intergovernmental	1,273,723	1,721,281	1,721,281	-
Charges for Services	1,071,713	1,209,189	1,209,189	-
Interest Income	1,642	58,202	58,202	-
Miscellaneous	6,200	11,860	11,861	1
Total Revenues	<u>\$ 3,573,478</u>	<u>\$ 4,187,132</u>	<u>\$ 4,114,126</u>	<u>\$ (73,006)</u>
EXPENDITURES				
Health and Welfare				
Salaries	1,762,175	1,688,119	1,688,120	1
Fringes	760,157	746,735	746,736	1
Contractual	68,539	173,169	173,169	-
Advertising	5,000	22,197	22,197	-
Travel	44,573	48,533	48,533	-
Supplies	442,203	651,506	651,506	-
Rent	18,733	21,829	21,829	-
Utilities	12,958	11,493	11,493	-
Janitorial	18,664	19,362	19,362	-
Maintenance	2,810	5,088	5,088	-
Postage	4,496	6,044	6,044	-
Phone	18,013	20,164	20,164	-
Equipment	4,000	1,278	1,278	-
Other Expenses	32,113	75,668	75,668	-
Capital Outlay	6,000	23,537	23,537	-
Miscellaneous	-	-	325	325
Budget Amendment	314,289	-	-	-
Total Expenditures	<u>\$ 3,514,723</u>	<u>\$ 3,514,722</u>	<u>\$ 3,515,049</u>	<u>\$ 327</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 58,755</u>	<u>\$ 672,410</u>	<u>\$ 599,077</u>	<u>\$ (72,679)</u>
Net Change in Fund Balances	<u>\$ 58,755</u>	<u>\$ 672,410</u>	<u>\$ 599,077</u>	<u>\$ (72,679)</u>
Fund Balance - January 1	\$ 2,822,995	\$ 2,822,995	2,822,995	\$ -
Prior Period Adjustment	-	-	(117,643)	(117,643)
Fund Balance - Jan. 1 Restated	<u>\$ 2,822,995</u>	<u>\$ 2,822,995</u>	<u>\$ 2,705,352</u>	<u>\$ (117,643)</u>
Fund Balance - December 31	<u>\$ 2,881,750</u>	<u>\$ 3,495,405</u>	<u>\$ 3,304,429</u>	<u>\$ (190,322)</u>

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

UPPER MISSOURI DISTRICT HEALTH UNIT

Schedule of Employer's Share of Net Pension and Employer Contributions
For the Year Ended December 31, 2023

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

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.124618%	\$ 2,402,950	\$ 1,523,915	157.68%	65.31%
2022	0.132170%	3,806,469	1,526,534	249.35%	54.47%
2021	0.122430%	1,276,089	1,390,198	91.79%	78.26%
2020	0.112460%	3,538,079	1,240,595	285.19%	48.91%
2019	0.109270%	1,280,759	1,136,626	112.68%	71.66%
2018	0.110820%	1,870,208	1,138,472	164.27%	62.80%
2017	0.098500%	1,583,266	1,005,563	157.45%	61.98%
2016	0.105600%	1,029,146	1,064,173	96.71%	70.46%
2015	0.093730%	637,641	835,013	76.36%	70.46%

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2023	\$ 127,750	\$ (114,150)	\$ 13,600	\$ 1,794,242	6.36%
2022	115,554	(111,938)	3,616	1,545,252	7.24%
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 notes to the required supplementary information are an integral part of this statement.

UPPER MISSOURI DISTRICT HEALTH UNIT

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2023

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

	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB (Asset)	District's Covered- Employee Payroll	Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.117499%	\$ 117,470	\$ 1,181,083	9.95%	62.74%
2022	0.115505%	138,642	1,192,477	11.63%	56.28%
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%

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2023	\$ 20,454	\$ (18,277)	\$ 2,177	\$ 1,794,242	1.02%
2022	13,915	(13,915)	-	1,220,591	1.14%
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	1.19%
2018	13,354	(12,327)	1,027	1,138,472	1.08%

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

UPPER MISSOURI DISTRICT HEALTH UNIT

Notes to the Required Supplementary Information
For the Year Ended December 31, 2023

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

- The Health Unit commission adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP) for the general fund.
- The budget includes proposed expenditures and means of financing them.
- The district, on or before the October meeting shall determine the amount of taxes that shall be levied for district purposed and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the operations coordinator at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

NOTE 2: SCHEDULE OF EMPLOYER PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

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

NOTE 3: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions decreased from 7.00 percent to 6.50 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

OPEB

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

UPPER MISSOURI DISTRICT HEALTH UNITNotes to the Required Supplementary Information – Continued

NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB**Pension**

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

OPEB

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

NOTE 5: LEGAL COMPLIANCE - BUDGETS**Budget Amendments**

The board of Health Unit commissioners amended the Health Unit budget for 2023:

	REVENUES		
	Original Budget	Amendment	Amended Budget
2023	\$ 3,573,478	\$ 613,654	\$ 4,187,132

	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
2023	\$ 3,200,434	\$ 314,289	\$ 3,514,723

UPPER MISSOURI DISTRICT HEALTH UNIT

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2023

Assistance Listing Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Fiscal Year 2023 Expenditures
US DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed Through The North Dakota Department of Health		
93.069	Public Health Emergency Preparedness	G21.891, G21.908, G21.915, G23.033, G23.055	117,683
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	N/A	2,650
93.217	Family Planning Services	G21.652, G21.769, G21.1261B, G21.1280, G23.633	148,825
93.268	Immunization Cooperative Agreements	G19.1312, G21.837, G23.082	311,230
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	G19.1091B	256,788
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	G23.238, G23.384	5,638
93.391	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	G21.1114, G21.1114A, G19.1312A	127,727
93.917	HIV Care Formula Grants	G21.652A	22,915
93.940	HIV Prevention Activities Health Department Based	G21.580, G21.1221	8,000
93.994	Maternal and Child Health Services Block Grant to the States	N/A	15,000
Total U.S Department of Health and Human Services			<u>\$ 1,016,455</u>
U.S. DEPARTMENT OF AGRICULTURE			
	Passed Through The North Dakota Department of Health		
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	G21.1035, G23.464	<u>\$ 214,538</u>
Total U.S Department of Agriculture			<u>\$ 214,538</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
	Passed Through The North Dakota Department of Environmental Quality		
66.605	Performance Partnership Grants	G21.023A, G32.006	<u>\$ 2,802</u>
Total U.S Environmental Protection Agency			<u>\$ 2,802</u>
Total Expenditures of Federal Awards			<u>\$ 1,233,795</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, 2023

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Health Unit under programs of the federal government for the year ended December 31, 2023. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the Health Unit, it is not intended to and does not present the financial position or changes in net position of the Health Unit. Expenditures represent only the federally funded portions of the program. Health Unit records should be consulted to determine amounts expended or matched from non-federal sources.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 PASS-THROUGH GRANT NUMBER

For federal programs marked "N/A", the Health Unit was unable to obtain a pass-through grant number.

NOTE 4 INDIRECT COST RATE

The Health Unit does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

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

Independent Auditor's Report

Health Unit Board
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 years ended December 31, 2023, 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 July 24, 2024.

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 were not identified. We identified certain deficiencies in internal control, described in the accompanying *schedule of audit findings and questioned costs* as item 2023-001 and 2023-002 to be material weaknesses.

UPPER MISSOURI DISTRICT HEALTH UNIT

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 Response to Findings

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

Purpose of this Report

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
July 24, 2024

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal 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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of 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.

UPPER MISSOURI DISTRICT HEALTH UNIT

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance - Continued

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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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.

Report on Internal Control Over Compliance

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

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

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
July 24, 2024

UPPER MISSOURI DISTRICT HEALTH UNIT

Summary of Auditor's Results

For the Year Ended December 31, 2023

Financial StatementsType of Report Issued:
Governmental Activities
Major FundUnmodified
Unmodified**Internal control over financial reporting**Material weaknesses identified? X Yes None NotedSignificant deficiencies identified not considered
to be material weaknesses? Yes X None NotedNoncompliance material to financial statements
noted? Yes X None Noted**Federal Awards**Internal Control Over Major ProgramsMaterial weaknesses identified? Yes X None notedReportable conditions identified not considered to be material
weaknesses? Yes X None noted

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

Any audit findings disclosed that are required to be reported in
accordance with CFR §200.516 (Uniform Guidance) requirements? Yes X None noted**Identification of Major Programs**

ALN Number	Name of Federal Program or Cluster
93.268	Immunization Cooperative Agreements
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Dollar threshold used to distinguish between Type A and B programs: \$ 750,000 Auditee qualified as low-risk auditee? Yes X No

UPPER MISSOURI DISTRICT HEALTH UNIT

Schedule of Audit Findings and Questioned Costs
For the Year Ended December 31, 2023

SECTION I – FINANCIAL STATEMENT FINDINGS

2023-001 – LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition

The Upper Missouri District Health Unit has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Effect

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

Cause

Management has chosen to allocate economic resources to other functions of the Upper Missouri District Health Unit.

Criteria

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

Repeat Finding

Yes.

Recommendation

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

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

Upper Missouri District Health Unit's Response

See corrective action plan.

2023-002 – AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

During the audit of Upper Missouri District Health Unit, we proposed material adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

Effect

There is an increased risk of material misstatement to the Upper Missouri District Health Unit's financial statements.

Cause

Upper Missouri District Health Unit may not have procedures in place to ensure the financial statements are complete and accurate.

Criteria

Upper Missouri District Health Unit is responsible for the preparation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

Repeat Finding

No.

Recommendation

We recommend Upper Missouri District Health Unit review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with GAAP.

Upper Missouri District Health Unit's Response

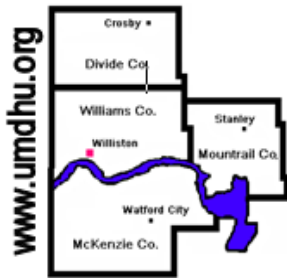
See corrective action plan.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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. Bldg., Ste 101
Williston, ND 58801-6056
Phone 701-774-6400
Fax 701-577- 8536
Toll Free 1-877-572-3763

Date: July 17, 2024
To: Joshua C. Gallion, ND State Auditor
From: Shannon Moser – Finance Manager
RE: Upper Missouri District Health Unit – FY2023 Corrective Action Plan

Contact Person Responsible for Corrective Action Plan: Shannon Moser

Section I – Financial Statement Findings:

2023-001 – LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS

Condition:

The Upper Missouri District Health Unit has limited personnel responsible for most accounting functions. A lack of segregation of duties exists as limited personnel are responsible to collect and deposit monies, issue checks, send checks to vendors, record receipts disbursement in journals, maintain the general ledger, create credit memos, and perform bank reconciliations.

Corrective Action Plan:

We agree, UMDHU has improved and will continue to look for opportunities to segregate duties. We are looking at processes to strengthen internal controls.

Anticipated Completion Date:

FY 2024

2023-002 – AUDIT ADJUSTMENT – MATERIAL WEAKNESS

Condition:

During the audit of Upper Missouri District Health Unit, we proposed material adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP). The adjustments were approved by management and are reflected in the financial statements.

Corrective Action Plan:

We agree, UMDHU will review the list of proposed audit adjustments and ensure future audit years have financial statements in accordance with GAAP.

Anticipated Completion Date:

FY 2024

UPPER MISSOURI DISTRICT HEALTH UNIT

Status of Prior Year Findings

For the Year Ended December 31, 2023

Date: July 17, 2024
To: Joshua C. Gallion, ND State Auditor
From: Shannon Moser – Finance Manager
RE: Upper Missouri District Health Unit 2023 Schedule of Prior Year Findings

2022-001 PREPARATION OF FINANCIAL STATEMENTS – MW

Condition

The Health Unit's auditors prepared the financial statements, including all note disclosures, as of December 31, 2022.

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.

Current Status

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

2022-002 PROPOSITION OF JOURNAL ENTRIES – MW

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with the GAAP.

Recommendation

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

Current Status

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

2022-003 SEGREGATION OF DUTIES – MW

Condition

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

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.

UPPER MISSOURI DISTRICT HEALTH UNIT

Status of Prior Year Findings – Continued

For the Year Ended December 31, 2023

Current Status

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

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

GOVERNANCE COMMUNICATION

July 24, 2024

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

We have audited the financial statements of the governmental activities and the major fund of Upper Missouri District Health Unit, Williston, North Dakota, for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 2, 2024. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Upper Missouri District Health Unit are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by Upper Missouri District Health Unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management.

Management has corrected all such misstatements. The schedule below lists all misstatements detected as a result of audit procedures that were corrected by management.

2023 Adjustments	Audit Adjustments	
<u>To Remove Current Year Accrued Taxes Receivable from Accounts Receivable</u>		
Revenue	60,196	-
Intergovernmental Receivable	-	60,196
<u>To Record Prior Period Adjustment for incorrect accrual of Taxes Receivable</u>		
January 1, Net Postiton	117,643	-
Intergovernmental Receivable	-	117,643

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 24, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the *budgetary comparison schedules and notes to the supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards*, which accompany the financial statements but are not RSI. With respect to this supplementary

UPPER MISSOURI DISTRICT HEALTH UNIT

Governance Communication – Continued

information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
July 24, 2024



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505