

OFFICE OF STATE AUDITOR

AUDIT REPORT

**NELSON-GRIGGS DISTRICT HEALTH UNIT
MCVILLE, NORTH DAKOTA**

**FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**



NELSON/GRIGGS DISTRICT HEALTH UNIT
McVille, North Dakota

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For the Years Ended December 31, 2011 and 2010

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NELSON/GRIGGS DISTRICT HEALTH UNIT
McVille, North Dakota

HEALTH UNIT OFFICIALS

December 31, 2010

Lyle Pfeifer	Chairperson
Don Fougner	Vice Chairman
Dr. Jeffrey Peterson	Health Officer
Denise Uriell	Member
Ed Poehls	Member
Julie A. Ferry, RN	Administrator

December 31, 2011

Don Fougner	Chairperson
Ed Poehls	Vice Chairman
Dr. Jeffrey Peterson	Health Officer
Denise Uriell	Member
Lyle Pfeifer	Member
Julie A. Ferry MS, RN	Administrator

STATE AUDITOR

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FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Nelson-Griggs District Health Unit, McVille, North Dakota as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Health Unit's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Nelson-Griggs District Health Unit's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Nelson-Griggs District Health Unit, McVille, North Dakota, as of December 31, 2011 and 2010, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2013, on our consideration of Nelson-Griggs District Health Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 23 through 24 be presented to supplement the basic financial statements. Such information, although not a required 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 any 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.

NELSON-GRIGGS DISTRICT HEALTH UNIT
Independent Auditor's Report - Continued

Management has omitted 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.



Robert R. Peterson
State Auditor

February 14, 2013

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVille, North Dakota

STATEMENT OF NET ASSETS
December 31, 2011

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash & cash equivalents	\$ 106,789
Investments	30,000
Intergovernmental receivable	14,042
Due from county	393
Taxes receivable	2,071
Inventory	<u>11,699</u>
Total Assets	<u>\$ 164,994</u>
<u>LIABILITIES:</u>	
Payroll liabilities	\$ 3,407
Long-Term Liabilities:	
Due Within One Year:	
Compensated absences payable	1,263
Due After One Year:	
Compensated absences payable	<u>11,371</u>
Total Liabilities	<u>\$ 16,041</u>
<u>NET ASSETS:</u>	
Unrestricted	<u>\$ 148,953</u>
Total Net Assets	<u><u>\$ 148,953</u></u>

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

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVille, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	<u>Program Revenues</u>		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Assets
<u>Governmental Activities:</u>				
Health and Welfare	\$ 280,092	\$ 622	\$ 162,107	\$ (117,363)
<u>General Revenues:</u>				
Taxes				\$ 90,836
Non-restricted Grants and Contributions				14,286
Unrestricted Investment Earnings				465
Miscellaneous Revenues				<u>23,498</u>
Total General Revenues				<u>\$ 129,085</u>
Changes in Net Assets				<u>\$ 11,722</u>
Net Assets - January 1				<u>\$ 137,231</u>
Net Assets - December 31				<u><u>\$ 148,953</u></u>

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

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVile, North Dakota

BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2011

	<u>General</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 106,789
Investments	30,000
Intergovernmental Receivable	14,042
Due from County	393
Taxes Receivable	2,071
Inventory	11,699
	<hr/>
Total Assets	\$ 164,994
	<hr/> <hr/>
<u>LIABILITIES AND FUND BALANCES</u>	
<u>Liabilities:</u>	
Payroll Liabilities	\$ 3,407
Deferred Revenue	2,071
	<hr/>
Total Liabilities	\$ 5,478
	<hr/>
<u>Fund Balance:</u>	
<u>Nonspendable:</u>	
Inventory	\$ 11,699
<u>Unassigned:</u>	147,817
	<hr/>
Total Fund Balance	\$ 159,516
	<hr/>
Total Liabilities and Fund Balance	\$ 164,994
	<hr/> <hr/>

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

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVille, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2011

Total *Fund Balances* for Governmental Funds \$ 159,516

Total *net assets* reported for governmental activities in the statement of net assets is different because:

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 revenues in the funds. 2,071

Long-term liabilities applicable to the health unit's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities-both current and long-term -are reported in the statement of net assets. Balances at December 31, 2011 are the following:

Compensated Absences (12,634)

Total Net Assets of Governmental Activities \$ 148,953

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

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVile, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUND
For the Year Ended December 31, 2011

	<u>General</u>
<u>Revenues:</u>	
Taxes	\$ 91,284
Intergovernmental	176,393
Charges for Services	622
Interest Income	465
Miscellaneous	23,498
	<hr/>
Total Revenues	\$ 292,262
	<hr/>
<u>Expenditures:</u>	
Current:	
Health and Welfare Function:	
Salaries/Payroll Expenses	\$ 119,410
Employee Programs	122
Tobacco Miscellaneous	22,494
Program Supplies	38,718
Workman's Compensation	552
Retirement	9,761
Health Insurance	30,057
Travel	6,111
Bioterrorism	5,051
Office Supplies	2,250
HAN - T1	11,689
Rent	8,400
Audit	6,300
Phone	2,871
Utilities	3,280
Equipment/Maintenance/Repair	646
Insurance	803
Miscellaneous	10,637
	<hr/>
Total Expenditures	\$ 279,152
	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	\$ 13,110
	<hr/>
Fund Balance - January 1	\$ 146,406
	<hr/>
Fund Balance - December 31	\$ 159,516
	<hr/> <hr/>

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

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVille, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 13,110
The change in net assets reported for governmental activities in the statement of activities is different because:	
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. This consists of the decrease in taxes receivable.	(448)
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. This consists of the net increase in compensated absences.	<u>(940)</u>
Change in Net Assets of Governmental Activities	<u>\$ 11,722</u>

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

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVile, North Dakota

STATEMENT OF NET ASSETS
December 31, 2010

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash & cash equivalents	\$ 114,158
Investments	20,000
Intergovernmental receivable	11,603
Due from county	715
Taxes receivable	2,519
Inventory	<u>10,740</u>
Total Assets	<u>\$ 159,735</u>
<u>LIABILITIES:</u>	
Payroll liabilities	\$ 1,534
Unearned Revenue	9,276
Long-Term Liabilities:	
Due Within One Year:	
Compensated absences payable	1,169
Due After One Year:	
Compensated absences payable	<u>10,525</u>
Total Liabilities	<u>\$ 22,504</u>
<u>NET ASSETS:</u>	
Unrestricted	<u>\$ 137,231</u>
Total Net Assets	<u><u>\$ 137,231</u></u>

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

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVile, North Dakota

BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2010

	<u>General</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 114,158
Investments	20,000
Intergovernmental Receivable	11,603
Due from County	715
Taxes Receivable	2,519
Inventory	<u>10,740</u>
Total Assets	<u>\$ 159,735</u>
<u>LIABILITIES AND FUND BALANCES</u>	
<u>Liabilities:</u>	
Payroll Liabilities	\$ 1,534
Deferred Revenue	2,519
Unearned Revenue	<u>9,276</u>
Total Liabilities	<u>\$ 13,329</u>
<u>Fund Balance:</u>	
<u>Nonspendable:</u>	
Inventory	\$ 10,740
<u>Unassigned:</u>	<u>135,666</u>
Total Fund Balance	<u>\$ 146,406</u>
Total Liabilities and Fund Balance	<u>\$ 159,735</u>

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

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVille, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2010

Total *Fund Balances* for Governmental Funds \$ 146,406

Total *net assets* reported for governmental activities in the statement of net assets
is different because:

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 revenues in the funds. 2,519

Long-term liabilities applicable to the health unit's governmental activities
are not due and payable in the current period and accordingly are not
reported as fund liabilities. All liabilities-both current and long-term -are
reported in the statement of net assets. Balances at December 31, 2010
are the following:

Compensated Absences (11,694)

Total Net Assets of Governmental Activities \$ 137,231

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

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVille, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUND
For the Year Ended December 31, 2010

	<u>General</u>
<u>Revenues:</u>	
Taxes	\$ 95,622
Intergovernmental	187,233
Charges for Services	701
Interest Income	658
Miscellaneous	<u>12,625</u>
Total Revenues	<u>\$ 296,839</u>
<u>Expenditures:</u>	
Current:	
Health and Welfare Function:	
Salaries/Payroll Expenses	\$ 126,769
Tobacco Miscellaneous	14,745
Program Supplies	15,704
Workman's Compensation	809
Retirement	9,727
Health Insurance	27,303
Travel	7,326
Bioterrorism	8,059
Office Supplies	1,695
HAN - T1	7,684
Rent	7,200
Phone	2,966
Utilities	3,418
Equipment/Maintenance/Repair	2,403
Insurance	806
Miscellaneous	<u>788</u>
Total Expenditures	<u>\$ 237,402</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 59,437</u>
Fund Balance - January 1	<u>\$ 86,969</u>
Fund Balance - December 31	<u><u>\$ 146,406</u></u>

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

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVile, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 59,437
The change in net assets reported for governmental activities in the statement of activities is different because:	
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. This consists of the decrease in taxes receivable.	(3,154)
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. This consists of the net decrease in compensated absences.	<u>401</u>
Change in Net Assets of Governmental Activities	<u>\$ 56,684</u>

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

NELSON-GRIGGS DISTRICT HEALTH UNIT
McVile, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2011, and 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nelson-Griggs District Health Unit, McVile, North Dakota, operates as an entity under Chapter 23-35 of the North Dakota Century Code. The health unit was formed by Nelson and Griggs Counties. The financial statements of Nelson-Griggs District Health Unit have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the health unit's accounting policies are described below.

A. Reporting Entity

The accompanying financial statements present the activities of the Nelson-Griggs District Health Unit. The Health Unit has considered all potential component units for which the district is financially accountable and other organizations for which the nature and significance of their relationships with the district are such that exclusion would cause the health unit's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of Nelson-Griggs District 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 Nelson-Griggs District Health Unit.

Based on these criteria, there are no component units to be included within Nelson-Griggs District Health Unit as a reporting entity.

B. Basis of Presentation

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

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

Fund Financial Statements: Separate financial statements are provided for governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The Health Unit has only one governmental fund.

The Health Unit reports the following major governmental fund:

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

D. Cash and Investments

Cash includes amounts in demand deposits. The investments of the district consist of certificates of deposit stated at fair value.

E. Capital Assets

Capital assets including equipment would be 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 would be recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Currently there are no capital assets reported by the entity as none meet the capitalization threshold.

F. Compensated Absences

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 at year-end. Sick leave benefits are earned at the rate of one day per month regardless of the years of service. An unlimited number of sick leave hours may be carried over; however, employees are paid for up to 10 days of unused sick leave. Vested or accumulated vacation leave is reported in government-wide statement of net assets and the change in compensated absences is reported in the health and welfare expense function in the statement of activities. The following table shows the accrual of vacation hours based on years of service.

Years of Service	Hours Earned
0 through 3 years	8
4 through 7 years	10
8 through 12 years	12
13 through 18 years	14
19 years and above	16

G. Fund Balances / Net Assets Equity

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of the Nelson-Griggs District Health Unit to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Health Unit to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Health District Board of Directors. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.

CONTINUED ON NEXT PAGE...

NELSON-GRIGGS DISTRICT HEALTH UNIT
Notes to the Financial Statements - Continued

CLASSIFICATION	DEFINITION	EXAMPLES
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the administrator.	By administrator action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

Nonspendable Fund Balances – consist of the following items at December 31, 2010:

General Fund (major fund) – nonspendable due to asset being in non-spendable form:
(a) Inventory amounts (vaccines) - \$10,740;

Nonspendable Fund Balances – consist of the following items at December 31, 2011:

General Fund (major fund) – nonspendable due to asset being in non-spendable form:
(b) Inventory amounts (vaccines) - \$11,699;

Net Assets Equity:

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

Unrestricted net assets equity is primarily unrestricted amounts related to the general fund. The unrestricted net assets are available to meet the district's ongoing obligations

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGETS

The governing board budgets for the General Fund.

BUDGET AMENDMENTS

The governing board did not make any amendments to the General Fund for the years ending December 31, 2010, or 2011.

NOTE 3: DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, Nelson-Griggs District Health Unit maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial 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 Water Resource District, 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 any other state of the United States or such other securities approved by the banking board.

At year ended December 31, 2011, the Nelson-Griggs District Health Unit's carrying amount of deposits was \$136,789 and the bank balances totaled \$145,543. Of the bank balances, all \$145,543 was covered by Federal Depository Insurance.

At year ended December 31, 2010, the Nelson-Griggs District Health Unit's carrying amount of deposits was \$134,158 and the bank balances totaled \$146,818. Of the bank balances, all \$146,818 was covered by Federal Depository Insurance.

Credit Risk:

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

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2011, the District held certificates of deposit in the amount of \$30,000; as of December 31, 2010 the District held certificates of deposit in the amount of \$20,000 which are all considered deposits.

Interest Rate Risk:

The Health Unit does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk:

The Health Unit does not have a limit on the amount it may invest in any one issuer.

NOTE 4: TAXES RECEIVABLE

The delinquent taxes receivable represents the past three years of uncollected tax levies. No allowance has been established for uncollectible taxes receivable since any losses will be recovered through the sale of the property.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

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 15th. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

NOTE 5: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of amounts due from the state for the state and federal share of various social service programs, state revenue sharing, highway tax distribution and other grants.

NOTE 6: DUE FROM COUNTY

Due from county consists of tax payments on hand with the county treasurer at each year-end collected prior to year-end but not distributed until the following year.

NOTE 7: INVENTORY

Nursing supplies (vaccines) are purchased before year-end for the next year. This inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

NOTE 8: PAYROLL LIABILITIES

Payroll liabilities consist of federal and state income taxes and FICA taxes withheld from employee payroll prior to year-end but not remitted until the following year.

NOTE 9: UNEARNED REVENUE

Unearned revenues in the statement of net assets and the balance sheet consist of rent fees collected in 2010 for 2011's rent. Although collected in 2010, rent fees were not earned until 2011 when the tenant had occupied the space through the period paid for. This transaction only incurred in 2010 and not in 2011, thus there was unearned revenue of \$9,276 in 2010 and none in 2011.

NOTE 10: PENSION PLAN

North Dakota Public Employees' Retirement System

The county and the county's component unit contribute to the North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefits and contributions provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E. Broadway, Suite 505, PO Box 1214, Bismarck, ND, 58502-1214

Plan members were required to contribute 4% of their annual salary and the district is required to contribute 5.12% of the employee's salary that consists of 4.12% for employee retirement and 1% for retiree health benefits fund through June 30, 2011. Beginning July 1, 2011, plan members are required to contribute 4% of their annual covered salary. The district is required to contribute 5.26% of the employee's salary, which consists of 4.12% for employee retirement and 1.14% for the retiree health benefits fund. The district has implemented a salary reduction agreement with plan members and is currently contributing the employee share. The contributions requirements of the plan members and the district are established and may be amended by the State legislature. The health district's contributions to NDPERS for the years ended December 31, 2011, 2010 and 2009 were \$5,564, \$5,545, and \$5,452, respectively, equal to the required contributions for the year.

NOTE 11: OPERATING LEASES

The Nelson-Griggs District Health Unit leases office space under non-cancelable operating leases. Total costs for such leases were \$7,200 for the year ended December 31, 2010 and total costs were \$8,400 for the year ended December 31, 2011. The future minimum lease payments for these leases are as follows:

Payments	Amount
FY2012	\$8,400

NOTE 12: RISK MANAGEMENT

The Nelson-Griggs District 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 of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Nelson-Griggs District Health Unit pays an annual premium to NDIRF for its general liability. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability.

The Nelson-Griggs District Health Unit also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The health district 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 Nelson-Griggs District Health Unit with blanket fidelity bond coverage in the amount of \$60,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Nelson-Griggs District Health Unit has workers compensation with the Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVille, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 90,000	\$ 90,000	\$ 91,284	\$ 1,284
Intergovernmental	167,985	167,985	176,393	8,408
Charges for Services	-	-	622	622
Interest	1,000	1,000	465	(535)
Miscellaneous	14,776	14,776	23,498	8,722
Total Revenues	\$ 273,761	\$ 273,761	\$ 292,262	\$ 18,501
<u>Expenditures:</u>				
Current - Health & Welfare Function:				
Salaries/Payroll Expenses	\$ 136,353	\$ 136,353	\$ 119,410	\$ 16,943
Employee Programs	-	-	122	(122)
Tobacco Miscellaneous	27,000	27,000	22,494	4,506
Program Supplies	30,000	30,000	38,718	(8,718)
Workman's Compensation	425	425	552	(127)
Retirement	10,187	10,187	9,761	426
Health Insurance	38,725	38,725	30,057	8,668
Travel	8,500	8,500	6,111	2,389
Bioterrorism	2,738	2,738	5,051	(2,313)
Office Supplies	3,000	3,000	2,250	750
HAN - T1	9,000	9,000	11,689	(2,689)
Rent	7,800	7,800	8,400	(600)
Audit	6,500	6,500	6,300	200
Phone	3,200	3,200	2,871	329
Utilities	4,800	4,800	3,280	1,520
Equipment/Maintenance/Repair	1,000	1,000	646	354
Insurance	1,000	1,000	803	197
Miscellaneous	1,624	1,624	10,637	(9,013)
Total Expenditures	\$ 291,852	\$ 291,852	\$ 279,152	\$ 12,700
Excess (Deficiency) of Revenues Over Expenditures	\$ (18,091)	\$ (18,091)	\$ 13,110	\$ 31,201
Fund Balance - January 1	\$ 146,406	\$ 146,406	\$ 146,406	\$ -
Fund Balance - December 31	\$ 128,315	\$ 128,315	\$ 159,516	\$ 31,201

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

NELSON/GRIGGS DISTRICT HEALTH UNIT
McVille, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 90,000	\$ 90,000	\$ 95,622	\$ 5,622
Intergovernmental	161,285	161,285	187,233	25,948
Charges for Services	-	-	701	701
Interest	1,000	1,000	658	(342)
Miscellaneous	14,776	14,776	12,625	(2,151)
Total Revenues	\$ 267,061	\$ 267,061	\$ 296,839	\$ 29,778
<u>Expenditures:</u>				
Current - Health & Welfare Function:				
Salaries/Payroll Expenses	\$ 123,871	\$ 123,871	\$ 126,769	\$ (2,898)
Tobacco Miscellaneous	27,000	27,000	14,745	12,255
Program Supplies	27,000	27,000	15,704	11,296
Workman's Compensation	425	425	809	(384)
Retirement	10,541	10,541	9,727	814
Health Insurance	29,785	29,785	27,303	2,482
Travel	8,500	8,500	7,326	1,174
Bioterrorism	2,738	2,738	8,059	(5,321)
Office Supplies	3,000	3,000	1,695	1,305
HAN - T1	9,000	9,000	7,684	1,316
Rent	7,800	7,800	7,200	600
Phone	3,200	3,200	2,966	234
Utilities	4,800	4,800	3,418	1,382
Equipment/Maintenance/Repair	1,000	1,000	2,403	(1,403)
Insurance	1,000	1,000	806	194
Miscellaneous	1,624	1,624	788	836
Total Expenditures	\$ 261,284	\$ 261,284	\$ 237,402	\$ 23,882
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,777	\$ 5,777	\$ 59,437	\$ 53,660
Fund Balance - January 1	\$ 86,969	\$ 86,969	\$ 86,969	\$ -
Fund Balance - December 31	\$ 92,746	\$ 92,746	\$ 146,406	\$ 53,660

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

NELSON-GRIGGS DISTRICT HEALTH UNIT
McVille, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011 and 2010

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund. Budgetary comparison schedules are presented for the general fund.

- The health unit adopts an “appropriated budget” on the modified accrual basis of accounting.
- Annually on or before September tenth, the health unit prepares a preliminary budget.
- The preliminary budget includes the estimated revenues and appropriations for the general fund of the health unit.
- The health unit shall meet and hear any and all protests or objections to the items or amounts set forth in the preliminary budget. At the hearing, the health unit shall make any changes in the items or amounts shown in the preliminary budget. The final budget is prepared which includes a summary of the amounts levied for each fund and the total amount levied.
- After the budget hearing and on or before October 7th, the health unit adopts the final budget.
- The final budget must be filed with the county auditor by October 10th.
- Each budget is controlled by the health district administrator 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.
- All appropriations lapse at year-end.

STATE AUDITOR

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MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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*

Health Unit Board
Nelson-Griggs District Health Unit
McVillage, North Dakota

We have audited the financial statements of the governmental activities and the major fund of Nelson-Griggs District Health Unit, McVillage, North Dakota, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Health Unit's basic financial statements and have issued our report thereon dated February 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Nelson-Griggs District Health Unit is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Nelson-Griggs District Health Unit's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nelson-Griggs District Health Unit's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nelson-Griggs District Health Unit's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* as item 2011-01 to be a material weakness.

Compliance and Other Matters

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

Nelson-Griggs District Health Unit's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. We did not audit Nelson-Griggs District Health Unit's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the health unit board, and others within the health unit, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bob Peterson". The signature is written in black ink and is positioned above the printed name and title.

Robert R. Peterson
State Auditor

February 14, 2013

NELSON-GRIGGS DISTRICT HEALTH UNIT
McVille, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Years Ended December 31, 2011 and 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued:

Governmental Activities	Unqualified
Each Major Governmental Fund	Unqualified
Aggregate Remaining Fund Information	Unqualified

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Section II - Financial Statement Findings

2011-01 – LACK OF SEGREGATION OF DUTIES
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Condition:

The Nelson/Griggs District Health Unit has two employees primarily responsible for all of the accounting functions. A lack of segregation of duties exists as two employees are responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

Effect:

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

Cause:

Due to the client's size, complexity, organizational structure and the economic realities the Health Unit faces, it is presently not economically feasible to have more than one person responsible for the accounting functions.

Criteria:

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 Health Unit.

NELSON-GRIGGS DISTRICT HEALTH UNIT
Schedule of Findings and Questioned Costs - Continued

Criteria:

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 Health Unit.

Recommendation:

We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the greatest extent possible to reduce the potential risk of loss.

Response:

I agree with the recommendation. The Health Unit attempts to segregate duties to the greatest extent possible as it's not feasible to have segregation of duties in an office with only 2 full-time employees performing multiple duties.

Views of Responsible Officials:

The Health Unit attempts to segregate duties to the greatest extent possible as it's not feasible to have segregation of duties in an office with only 2 full-time employees performing multiple duties.