

**CITY OF BEULAH
BEULAH, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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CITY OF BEULAH, NORTH DAKOTA
CITY OFFICIALS

Mayor

Sean Cheatley

City Council

Auston Biles
Tim Aichele
Cameron Brown
Jason Isaak
Adam Baker
Gary Miller
Kameron Plenis
Bill Keller

City Auditor

Heather Ferebee

INDEPENDENT AUDITOR’S REPORT

To the City Council
City of Beulah, North Dakota

Report on the Audit of the Financial Statements

Unmodified and Disclaimer of Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beulah as of and for the year ended December 31, 2024, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the City of Beulah’s basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Disclaimer
General Fund	Unmodified
Municipal Infrastructure Fund	Unmodified
Public Buildings Fund	Unmodified
Street Improvement District #26 Fund	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified
Garbage Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

We do not express an opinion on the financial statements of the aggregate discretely presented component units of the City of Beulah. Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the City of Beulah.

Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beulah, as of December 31, 2024, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting, described in note 2.

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Beulah Housing Authority have not been audited, and we were not engaged to audit the Beulah Housing Authority financial statements as part of our audit of the City of Beulah's basic financial statements. Beulah Housing Authority's financial activities are included in the City of Beulah's basic financial statements as a part of the aggregate discretely presented component unit and represent 13 percent, 10 percent, and 8 percent of the assets, net position, and revenues, respectively, of the City of Beulah, North Dakota's aggregate discretely presented component units.

Basis for Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Beulah, 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 unmodified audit opinions.

Emphasis of Matters

As described in Note 2 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 100 *Accounting Changes and Error Corrections*. Our opinions are not modified with respect to this matter.

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Aggregate Discretely Presented Component Units

Our responsibility is to conduct an audit of the City of Beulah's financial statements in accordance with generally accepted auditing standards and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units.

We are required to be independent of the City of Beulah and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Auditor's Responsibilities for the Audit of the Governmental Activities, the Business-type Activities, Each Major Fund, and the Aggregate Remaining Fund Information

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Beulah'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 the City of Beulah'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beulah's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and notes and budgetary comparison schedule 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 the modified cash basis of accounting. In our opinion, the budgetary comparison schedule, schedule of expenditures of federal awards and notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2025 on our consideration of the City of Beulah'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 the City of Beulah'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 City of Beulah's internal control over financial reporting and compliance.



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

June 5, 2025

CITY OF BEULAH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2024

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 4,779,514	\$ 823,080	\$ 5,602,594	\$ 699,938
Restricted cash	-	27,264	27,264	-
Interfund balances	736,219	(736,219)	-	-
Total current assets	<u>5,515,733</u>	<u>114,125</u>	<u>5,629,858</u>	<u>699,938</u>
Non-current assets:				
Construction in progress	6,881,889	-	6,881,889	-
Land	4,500	-	4,500	10,000
Capital assets, net of accumulated depreciation	12,945,777	10,123,678	23,069,455	1,521,409
Total non-current assets	<u>19,832,166</u>	<u>10,123,678</u>	<u>29,955,844</u>	<u>1,531,409</u>
Total assets	<u>25,347,899</u>	<u>10,237,803</u>	<u>35,585,702</u>	<u>2,231,347</u>
<u>LIABILITIES</u>				
Current liabilities:				
Customer deposits held	-	27,264	27,264	-
Due to Convention Visitor's Bureau	50,000	-	50,000	-
Current portion of interest buydown payable	-	-	-	55,808
Current portion of long-term debt	665,410	-	665,410	51,412
Total current liabilities	<u>715,410</u>	<u>27,264</u>	<u>742,674</u>	<u>107,220</u>
Non-current liabilities:				
Interest buydown payable	-	-	-	107,908
Non-current portion of long-term debt	7,778,675	-	7,778,675	620,134
Total non-current liabilities	<u>7,778,675</u>	<u>-</u>	<u>7,778,675</u>	<u>728,042</u>
Total liabilities	<u>8,494,085</u>	<u>27,264</u>	<u>8,521,349</u>	<u>835,262</u>
<u>NET POSITION</u>				
Net investment in capital assets	11,388,081	10,123,678	21,511,759	859,863
Restricted for:				
City Improvements	1,881,306	-	1,881,306	-
Roads	884,462	-	884,462	-
Library	57,589	-	57,589	-
Emergency	56,696	-	56,696	-
Cemetery	49,027	-	49,027	-
Swimming Pool	65,362	-	65,362	-
Unrestricted	<u>2,471,291</u>	<u>86,861</u>	<u>2,558,152</u>	<u>536,222</u>
Total net position	<u>\$ 16,853,814</u>	<u>\$ 10,210,539</u>	<u>\$ 27,064,353</u>	<u>\$ 1,396,085</u>

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,023,467	\$ 82,057	\$ 53,951	\$ -	\$ (887,459)	\$ -	\$ (887,459)	
Public safety	912,470	82,149	9,383	-	(820,938)	-	(820,938)	
Highways and streets	1,982,170	1,033,999	-	-	(948,171)	-	(948,171)	
Culture and recreation	330,324	107,410	63,604	-	(159,310)	-	(159,310)	
Health and welfare	55,249	-	-	-	(55,249)	-	(55,249)	
Economic development	433,829	-	-	-	(433,829)	-	(433,829)	
Interest on long-term debt	96,786	-	-	-	(96,786)	-	(96,786)	
Total governmental activities	4,834,295	1,305,615	126,938	-	(3,401,742)	-	(3,401,742)	
Business-type activities:								
Water	1,106,116	888,362	-	-	-	(217,754)	(217,754)	
Sewer	230,161	397,545	15,000	-	-	182,384	182,384	
Garbage	504,429	536,909	-	-	-	32,480	32,480	
Storm water	1,320	77,189	-	-	-	75,869	75,869	
Curb stop	16,420	49,714	-	-	-	33,294	33,294	
Water meter	9,640	59,911	-	-	-	50,271	50,271	
Water equipment reserve	25,812	-	-	-	-	(25,812)	(25,812)	
Garbage equipment reserve	48,853	64,137	-	-	-	15,284	15,284	
Total business-type activities	1,942,751	2,073,767	15,000	-	-	146,016	146,016	
Total primary government	\$ 6,777,046	\$ 3,379,382	\$ 141,938	\$ -	(3,401,742)	146,016	(3,255,726)	
Component units	\$ 667,163	\$ 179,207	\$ 226,799	\$ -				\$ (261,157)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					795,914	-	795,914	81,628
Sales taxes					1,150,914	-	1,150,914	-
State aid distribution					224,771	-	224,771	19,631
Municipal highway tax					176,574	-	176,574	-
Coal conversion tax					295,561	-	295,561	-
Coal severance tax					534,189	-	534,189	-
Cigarette tax					4,893	-	4,893	-
Investment earnings					182,049	-	182,049	25,114
Transfers					440,082	(440,082)	-	-
Miscellaneous					114,221	-	114,221	2,986
Total general revenues and transfers					3,919,168	(440,082)	3,479,086	129,359
Change in net position					517,426	(294,066)	223,360	(131,798)
Net position - beginning of year					16,336,388	10,504,605	26,840,993	1,527,883
Net position - end of year					\$ 16,853,814	\$ 10,210,539	\$ 27,064,353	\$ 1,396,085

See Notes to the Financial Statements

CITY OF BEULAH
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General Fund	Municipal Infrastructure Fund	Public Buildings	Street Imp District #26	Non-major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 1,735,072	\$ 546,411	\$ 108,460	\$ 662,363	\$ 1,727,208	\$ 4,779,514
Due from other funds	736,219	-	-	-	-	736,219
Total assets	<u>\$ 2,471,291</u>	<u>\$ 546,411</u>	<u>\$ 108,460</u>	<u>\$ 662,363</u>	<u>\$ 1,727,208</u>	<u>\$ 5,515,733</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Due to Convention Visitor's Bureau	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ 50,000
Fund balances:						
Restricted	-	546,411	58,460	662,363	1,727,208	2,994,442
Unassigned	2,471,291	-	-	-	-	2,471,291
Total fund balance	<u>2,471,291</u>	<u>546,411</u>	<u>58,460</u>	<u>662,363</u>	<u>1,727,208</u>	<u>5,465,733</u>
Total liabilities and fund balances	<u>\$ 2,471,291</u>	<u>\$ 546,411</u>	<u>\$ 108,460</u>	<u>\$ 662,363</u>	<u>\$ 1,727,208</u>	<u>\$ 5,515,733</u>

See Notes to the Financial Statements

CITY OF BEULAH
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION -
MODIFIED CASH BASIS
DECEMBER 31, 2024

Total Governmental Funds Balance	\$ 5,465,733
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

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

Cost of capital assets	28,098,698
Less accumulated depreciation	(8,266,532)

Long-term liabilities are not due and payable in the current period and
therefore are not reported as liabilities in the funds.

Long-term debt	<u>(8,444,085)</u>
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Net Position of Governmental Activities	<u><u>\$ 16,853,814</u></u>
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See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund	Municipal Infrastructure Fund	Public Buildings	Street Imp District #26 (Newly Major)	Non-major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>						
Taxes	\$ 1,567,097	\$ -	\$ -	\$ -	\$ 236,007	\$ 1,803,104
Special assessments and interest	-	-	-	-	259,536	259,536
License and permits	29,286	-	-	-	-	29,286
Intergovernmental	229,140	500,000	-	-	684,709	1,413,849
Charges for services	51,844	-	-	774,461	107,761	934,066
Fines and forfeitures	42,271	-	-	-	255	42,526
Interest	144,767	37,281	-	-	-	182,048
Grants	24,165	-	-	-	-	24,165
Miscellaneous	71,855	-	-	-	143,919	215,774
Total revenues	2,160,425	537,281	-	774,461	1,432,187	4,904,354
<u>EXPENDITURES</u>						
Current:						
General government	928,214	-	8,179	-	96,951	1,033,344
Public safety	779,293	-	-	-	-	779,293
Highways and streets	596,059	-	-	104,169	463,052	1,163,280
Culture and recreation	4,627	-	-	-	338,247	342,874
Health and welfare	2,400	-	-	-	20,300	22,700
Economic development	138,410	-	-	-	295,419	433,829
Debt Service:						
Principal retirement	-	-	-	-	495,907	495,907
Interest and fiscal charges	-	-	-	-	94,958	94,958
Capital outlay	-	1,494,651	6,625	4,552,638	529,029	6,582,943
Total expenditures	2,449,003	1,494,651	14,804	4,656,807	2,333,863	10,949,128
Excess (deficiency) of revenues over (under) expenditures	(288,578)	(957,370)	(14,804)	(3,882,346)	(901,676)	(6,044,774)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers in	295,428	-	50,000	-	337,272	682,700
Transfers out	(172,195)	-	-	-	(70,423)	(242,618)
Proceeds from issuance of debt	139,671	-	-	4,544,709	137,064	4,821,444
Total other financing sources and uses	262,904	-	50,000	4,544,709	403,913	5,261,526
Net change in fund balances	(25,674)	(957,370)	35,196	662,363	(497,763)	(783,248)
Fund balances - beginning of year	2,496,965	1,503,781	23,264	-	2,224,971	6,248,981
Fund balances - end of year	\$ 2,471,291	\$ 546,411	\$ 58,460	\$ 662,363	\$ 1,727,208	\$ 5,465,733

See Notes to the Financial Statements

CITY OF BEULAH
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Net Change in Fund Balance - Governmental Funds \$ (783,248)

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. In the current period, these amounts are:

Capital outlay	6,582,943	
Depreciation expense	(954,902)	
Excess of capital outlay over depreciation expense		5,628,041

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. (4,821,444)

Government wide statements amortize discount on bonds payable over the life of the debt, while governmental funds recognize bond proceeds at issuance amount. (1,830)

Governmental funds report repayment of principal on long-term liabilities as an expenditure because the repayments use current financial resources. In contrast, the repayments reduce the balance of the long-term liabilities in the Statement of Net Position.

Note payable	189,599	
Direct financing purchases	25,746	
Special assessments	170,000	
Revenue bonds payable	110,562	
Total long-term debt repayment		495,907

Change in Net Position \$ 517,426

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non-major Enterprise Funds	Total Enterprise Funds
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 173,542	\$ 91,901	\$ 14,552	\$ 543,085	\$ 823,080
Restricted cash	27,264	-	-	-	27,264
Total current assets	200,806	91,901	14,552	543,085	850,344
Capital assets:					
Infrastructure	11,941,129	970,965	727,732	-	13,639,826
Equipment	65,050	100,327	550,604	239,632	955,613
Less: accumulated depreciation	(3,240,911)	(294,364)	(744,666)	(191,820)	(4,471,761)
Total capital assets	8,765,268	776,928	533,670	47,812	10,123,678
Total assets	8,966,074	868,829	548,222	590,897	10,974,022
<u>LIABILITIES</u>					
Current liabilities:					
Due to other funds	-	-	736,219	-	736,219
Customer deposits held	27,264	-	-	-	27,264
Total current liabilities	27,264	-	736,219	-	763,483
<u>NET POSITION</u>					
Net investment in capital assets	8,765,268	776,928	533,670	47,812	10,123,678
Unrestricted	173,542	91,901	(721,667)	543,085	86,861
Total net position	\$ 8,938,810	\$ 868,829	\$ (187,997)	\$ 590,897	\$ 10,210,539

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non-major Enterprise Funds	Total Enterprise Funds
<u>OPERATING REVENUES</u>					
Charges for services	\$ 888,362	\$ 397,545	\$ 536,909	\$ 246,296	\$ 2,069,112
Miscellaneous	-	15,000	-	4,655	19,655
Total operating revenues	888,362	412,545	536,909	250,951	2,088,767
<u>OPERATING EXPENSES</u>					
Salaries and employee benefits	402,861	84,498	221,960	-	709,319
General maintenance and supplies	154,781	53,353	222,163	66,395	496,692
Chemicals and additives	59,161	12,258	-	-	71,419
Utilities	85,864	34,012	3,880	-	123,756
Fuel and vehicles	4,541	1,899	30,132	-	36,572
Depreciation	398,908	44,141	26,294	35,650	504,993
Total operating expenses	1,106,116	230,161	504,429	102,045	1,942,751
Operating income (loss)	(217,754)	182,384	32,480	148,906	146,016
Transfers in	-	-	41,952	-	41,952
Transfers out	(153,913)	(136,770)	(107,689)	(83,662)	(482,034)
Change in net position	(371,667)	45,614	(33,257)	65,244	(294,066)
Net position - beginning of year	9,310,477	823,215	(154,740)	525,653	10,504,605
Net position - end of year	\$ 8,938,810	\$ 868,829	\$ (187,997)	\$ 590,897	\$ 10,210,539

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Enterprise Funds				Total
	Water	Sewer	Garbage	Non-major enterprise funds	
Cash flows from operating activities:					
Receipts from customers	\$ 888,362	\$ 397,545	\$ 536,909	\$ 246,296	\$ 2,069,112
Receipts from others	-	15,000	-	4,655	19,655
Payments to suppliers	(304,347)	(101,522)	(256,175)	(66,395)	(728,439)
Payments to employees	(402,861)	(84,498)	(221,960)	-	(709,319)
Net cash provided (used) by operating activities	181,154	226,525	58,774	184,556	651,009
Cash flows from noncapital and related financing activities:					
Increase (decrease) in customer deposits	3,075	-	-	-	3,075
Transfers in (out)	(153,913)	(136,770)	(65,737)	(83,662)	(440,082)
Net cash provided (used) by noncapital and related financing activities	(150,838)	(136,770)	(65,737)	(83,662)	(437,007)
Cash flows from capital and related financing activities:					
Purchase of property and equipment	-	(54,232)	-	-	(54,232)
Net cash provided (used) by capital and related financing activities	-	(54,232)	-	-	(54,232)
Net change in cash and cash equivalents	30,316	35,523	(6,963)	100,894	159,770
Cash and cash equivalents - January 1	170,490	56,378	21,515	442,191	690,574
Cash and cash equivalents - December 31	\$ 200,806	\$ 91,901	\$ 14,552	\$ 543,085	\$ 850,344
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (217,754)	\$ 182,384	\$ 32,480	\$ 148,906	\$ 146,016
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	398,908	44,141	26,294	35,650	504,993
Net cash provided (used) by operating activities	\$ 181,154	\$ 226,525	\$ 58,774	\$ 184,556	\$ 651,009

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF FIDUCIARY NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2024

	Pension Plan Fund	Parks & Rec Retirement Fund	Custodial Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 585	\$ -	\$ -
<u>NET POSITION</u>			
Due to others	585	-	-
Total net position	<u>\$ 585</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Pension Plan Fund	Parks & Rec Retirement Fund	Custodial Fund
<u>ADDITIONS</u>			
Intergovernmental	\$ -	\$ 78,974	\$ 496,237
Retirement reimbursements	10,000	-	-
Grant Revenue	-	-	7,286
	<hr/>	<hr/>	<hr/>
Total additions	10,000	78,974	503,523
	<hr/>	<hr/>	<hr/>
<u>DEDUCTIONS</u>			
State aid	-	78,974	-
Retirement	10,000	-	-
Sales tax	-	-	496,237
Grant Expense	-	-	7,286
	<hr/>	<hr/>	<hr/>
Total deductions	10,000	78,974	503,523
	<hr/>	<hr/>	<hr/>
Change in net position	-	-	-
Net position - beginning of year	585	-	-
	<hr/>	<hr/>	<hr/>
Net position - end of year	<u>\$ 585</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Financial Statements

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 DESCRIPTION OF THE CITY

The City of Beulah operates under a City Council form of government. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City's significant accounting policies are as described below.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information. Fiduciary activities are only reported in the fund financial statements.

Financial Reporting Entity

The financial statements of the reporting entity include those of the City of Beulah, North Dakota (the primary government). The financial statements also include audited information of three of the City's component units, the Library, Airport Authority, and the Job Development Association (JDA). In addition, the financial statements include the unaudited information of one of the City's component units, the Housing Authority. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of an organization's governing body and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the City. Fiscal dependence can include the City's approval of the budget, issuance of debt, and/or levying of taxes for the organization. Based on these criteria, the Airport Authority, Housing Authority, and Job Development Authority all qualify to be discretely presented component units of the City of Beulah. The Library qualifies to be a blended component unit of the City of Beulah. See the 'Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units' on page 3 of the audit report in regards to the unaudited component units included in the City's financial statements.

Complete financial statements for the Airport Authority and Job Development Authority may be obtained at the City's administrative office. These component units were audited by Brady, Martz and Associates, P.C., for the year ended December 31, 2024, and separate reports were issued.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the reporting entity, except for fiduciary funds. The statements distinguish between governmental activities, which are normally financed through taxes and intergovernmental revenues, and business-type activities, which are normally financed in whole or in part by fees and charges for services.

The Statement of Net Position presents the financial condition of the governmental activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, operating grants and contributions, and capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designated to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- 1) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- 2) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The City uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. There are three categories of funds: governmental, proprietary and fiduciary. The funds of the financial entity are described below:

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Governmental Funds

General fund - The general fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital project funds - Capital project funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds and trust funds).

Debt service funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. This fund includes the accumulation of resources for, and payment of, special assessments debt, which is backed by the full faith and credit of the City of Beulah.

Major Funds

The funds are further classified as major or nonmajor. The City reports the following major funds:

Governmental

General fund as described above.

Municipal Infrastructure fund, a capital projects fund, is used to account for the accumulation of resources for, and payment of, infrastructure projects.

Public Buildings fund, a capital projects fund, is used to account for the accumulation of resources for, and payment of, public buildings projects.

Street Improvement District #26 Specials, a capital projects fund, is used to account for the accumulation of resources for, and payment of, street improvements.

Proprietary

Enterprise funds - Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds:

Water, an enterprise fund, is used to account for water services provided to the residents of the City.

Sewer, an enterprise fund, is used to account for sewer services provided to the residents of the City.

Garbage, an enterprise fund, is used to account for garbage pickup services provided to the

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

residents of the City, and transfer station and recycling services provided to the public.

Fiduciary

Fiduciary Funds – The reporting focus of fiduciary funds is on net position and changes in net position. The City's fiduciary funds include the following funds:

Pension Plan Fund; a fiduciary fund, is used to account for the restricted net position for the pension plan for employees.

Parks and Recreation Retirement Fund, a fiduciary fund, is used to account for the restricted net position for the retirement plan for the parks and recreation employees.

Custodial Fund; a fiduciary fund, is used to account for the sales tax funds levied and paid to the Parks and Recreation Department for the Wellness Center.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Government-wide financial statements

In the government-wide financial statements, both the governmental and business-type activities are prepared using the economic resources measurement focus within the limitations of the modified cash basis of accounting.

Fund financial statements

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus as applied to the modified cash basis of accounting is used as appropriate.

All governmental funds and fiduciary funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary funds use an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Basis of Accounting

In the government-wide statements of net position and statement of activities and the fund financial statements, both governmental and business-type activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for long term debt, customer deposits held, due to Convention Visitor's Bureau, and depreciation in the government-wide statements, and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected), deferred outflows, certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities), and deferred inflows are not recorded in these financial statements. In addition, the City has elected to show all capital assets prior to January 1, 2013 at insured values. Capital assets added subsequent to that date are recorded at cost. Under the modified cash basis of accounting, economic development loans are recorded as expenditures when advanced and collections on the notes receivables are recorded as income when received. If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budgets and Budgetary Accounting

The City Council follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year.

The governing board reviews the preliminary budget, may make revisions, and approves it on or before September 10. On or about October 7, a public hearing is held for taxpayers to discuss any budgeted items. The governing body reviews the preliminary budget at the hearing and may make revisions that do not increase the total budget and prepares the final budget. The governing board adopts an ordinance approving the tax levy requested in the final budget. The final budget must be filed with the county auditor by October 10.

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

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Cash and Cash Equivalents

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

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's cash and cash equivalents.

Capital Assets

Capital assets, which include infrastructure, property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All governmental and business-type activities capital assets in service as of December 31, 2012 are recorded at their insured values at that time as an estimate of the historical cost. Additions made after 2012 are recorded at cost. The assets are updated for additions and retirements during the City's fiscal year. Improvements that significantly extend the useful life of the asset are also capitalized. Donated capital assets are recorded at acquisition value at the date of donation.

The City's capitalization policy is \$5,000 and an estimated useful life in excess of one year or more. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over their estimated useful lives on a straight-line basis. The City has established the following useful lives:

Buildings	30 years
Building improvements	15 – 25 years
Equipment	7 years
Vehicles	5 years

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and capital leases. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements. In the fund financial statements, governmental fund types recognize bond discounts during the current period.

Equity Classifications

Government-wide Financial Statements

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

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

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

Fund Financial Statements

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Commission, the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Commission removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Assigned – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes but are neither restricted nor committed. Management of the City has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the City’s preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Interfund Transactions

In the process of aggregating the financial information for the government-wide statement of net position and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

- 1) Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables. Advance to and advance from represent noncurrent interfund receivables and payables.
- 2) Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- 3) Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
- 4) Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- 1) Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

- 2) Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers. The effects of interfund services between funds, if any, are not eliminated in the statement of activities.

Property Taxes

All real estate is assessed as of the current value in April of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1st of the year following the assessment date.

A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15th. Penalty and interest are added on March 1st if the first half of the taxes is not paid. Additional penalty and interest are added on a quarterly basis to those taxes that are not paid.

Taxes are collected by the county and remitted monthly to the City.

Insurance Recoveries

Insurance recoveries are classified under miscellaneous revenue in the fund financial statements. These amounts are factored into gain/loss on the disposal of capital assets on the government wide financial statements, which is included in general government expenses on the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Change in Accounting Principle

The City implemented GASB Statement No. 100, *Accounting Changes and Error Corrections* in the year ended December 31, 2024. The adoption of GASB 100 resulted in the reclassification of the Street Improvement District #26 fund from a nonmajor program in December 31, 2023 to a major program in December 31, 2024.

NOTE 3 DEPOSITS

In accordance with North Dakota statutes, the City maintains deposits at depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Credit Risk:

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

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

As of December 31, 2024, the City had investments in certificates of deposits as authorized by statutes. These amounts are classified as cash and cash equivalents on the financial statements in accordance with the City's policy.

Custodial Credit Risk

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

The City maintains cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2024, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$5,265,083 of the City's deposits are covered by pledged securities held in the City's name. The total securities pledged exceed 110% of the uninsured balance.

Concentration of Credit Risk:

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

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances between primary government funds at December 31, 2024 is:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
Governmental Funds		
General Fund	\$ 736,219	\$ -
Proprietary Funds		
Garbage Fund	-	736,219
Total all funds	<u>\$ 736,219</u>	<u>\$ 736,219</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

These advances were made to cover the garbage fund's deficit fund balance. The fund will repay the advances as funds become available.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 was as follows:

	Balance 1/1/24	Additions	Deletions	Balance 12/31/24
Governmental Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 449,355	\$ 6,570,343	\$ (137,809)	\$ 6,881,889
Land	4,500	-	-	4,500
Total capital assets not being depreciated	<u>453,855</u>	<u>6,570,343</u>	<u>(137,809)</u>	<u>6,886,389</u>
Capital assets being depreciated:				
Equipment	1,964,581	12,600	(115,000)	1,862,181
Infrastructure	19,212,319	137,809	-	19,350,128
Total capital assets being depreciated	<u>21,176,900</u>	<u>150,409</u>	<u>(115,000)</u>	<u>21,212,309</u>
Less accumulated depreciation:				
Equipment	1,529,597	119,203	(115,000)	1,533,800
Infrastructure	5,897,033	835,699	-	6,732,732
Total accumulated depreciation	<u>7,426,630</u>	<u>954,902</u>	<u>(115,000)</u>	<u>8,266,532</u>
Total capital assets being depreciated, net	<u>13,750,270</u>	<u>(804,493)</u>	<u>-</u>	<u>12,945,777</u>
Net Capital Assets	<u>\$ 14,204,125</u>	<u>\$ 5,765,850</u>	<u>\$ (137,809)</u>	<u>\$ 19,832,166</u>
	Balance 1/1/24	Additions	Deletions	Balance 12/31/24
Business-type Activities				
Capital assets being depreciated:				
Equipment	\$ 901,381	\$ 54,232	\$ -	\$ 955,613
Infrastructure	13,639,826	-	-	13,639,826
Total capital assets being depreciated	<u>14,541,207</u>	<u>54,232</u>	<u>-</u>	<u>14,595,439</u>
Less accumulated depreciation:				
Equipment	780,134	47,458	-	827,592
Infrastructure	3,186,634	457,535	-	3,644,169
Total accumulated depreciation	<u>3,966,768</u>	<u>504,993</u>	<u>-</u>	<u>4,471,761</u>
Net Capital Assets	<u>\$ 10,574,439</u>	<u>\$ (450,761)</u>	<u>\$ -</u>	<u>\$ 10,123,678</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

	Balance 1/1/24	Additions	Deletions	Balance 12/31/24
Component Units *				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated:				
Equipment	117,472	7,750	-	125,222
Buildings	1,120,902	-	-	1,120,902
Building improvements	663,801	-	-	663,801
Infrastructure	1,138,291	-	-	1,138,291
Total capital assets being depreciated	3,040,466	7,750	-	3,048,216
Less accumulated depreciation:				
Equipment	90,882	3,055	-	93,937
Buildings	569,064	35,966	-	605,030
Infrastructure	792,739	35,101	-	827,840
Total accumulated depreciation	1,452,685	74,122	-	1,526,807
Total capital assets being depreciated, net	1,587,781	(66,372)	-	1,521,409
Net Capital Assets	\$ 1,597,781	\$ (66,372)	\$ -	\$ 1,531,409

* The component units include the Housing Authority which was unaudited. See the Independent Auditor's report for more information. As of December 31, 2024, the Housing Authority balances include:

Buildings	\$550,000
Accumulated depreciation – buildings	(293,333)
Depreciation expense	18,333

Depreciation expense for the governmental activities of \$954,902 was charged to Highways and Streets in the Statement of Activities.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 6 LONG TERM DEBT

The following is a summary of long term debt transactions of the City of Beulah for the year ended December 31, 2024:

	Balance 1/1/2024	Increases	Decreases	Balance 12/31/2024	Due Within One Year
Governmental Activities					
Note payable	\$ 747,630	\$ -	\$ (189,599)	\$ 558,031	\$ 194,575
Direct financing purchases	72,543	-	(25,746)	46,797	26,648
Special assessments	1,530,000	-	(170,000)	1,360,000	175,000
Revenue bonds payable	1,780,385	4,821,444	(110,562)	6,491,267	269,187
Bond discount	(13,840)	-	1,830	(12,010)	-
Total	<u>\$ 4,116,718</u>	<u>\$ 4,821,444</u>	<u>\$ (494,077)</u>	<u>\$ 8,444,085</u>	<u>\$ 665,410</u>
Component Units *					
Notes payable	\$ 286,772	\$ -	\$ (43,776)	\$ 242,996	\$ 44,983
Revenue bonds payable	412,473	22,534	(6,457)	428,550	6,429
Total	<u>\$ 699,245</u>	<u>\$ 22,534</u>	<u>\$ (50,233)</u>	<u>\$ 671,546</u>	<u>\$ 51,412</u>

*The component units include the Housing Authority which was unaudited. See the Independent Auditor's report for more information. As of December 31, 2024, the Housing Authority balances include:

Revenue bonds payable	\$428,550
Payments made on bonds	(6,457)

Long term debt at December 31, 2024 consists of the following individual issues:

Governmental Activities:	Outstanding 12/31/2024
Note payable:	
Note payable dated August 11, 2021. Payable in quarterly installments of \$37,337 beginning January 1, 2022, including interest at 3% through October 1, 2027. Paid by the Swimming Pool Fund. Secured by swimming pool.	\$ 425,096
Note payable dated March 24, 2021. Payable in semiannual installments beginning October 15, 2021, including interest at 1.4% through April 15, 2026. Paid by the Infrastructure Revolving Fund. Secured by certificate of indebtedness, series 2021.	69,155
Note payable dated September 18, 2019. Payable in annual installments of \$6,562 beginning April 18, 2020, including interest at 2% through September 18, 2029. Paid by the Intersection Project Fund. Secured by certificate of indebtedness, series 2019.	63,780
Total notes payable	<u>558,031</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Direct financing purchases:

Direct financing purchase dated February 28, 2023. Payable in annual installments of \$10,858 beginning March 1, 2024, including interest at 5% through March 1, 2027. Paid by the Equipment Service Fund. Secured by Police Ford Explorer. \$ 29,530

Direct financing purchase dated July 14, 2021. Payable in annual installments of \$17,788 beginning February 1, 2022, including interest at 2.85% through February 1, 2025. Paid by the Equipment Service Fund. Secured by police cars. 17,268

Total direct financing purchases 46,798

Special assessments:

\$800,000 Refunding Improvement Bonds of 2015 (Street Improvement District #23) - due in annual principal installments of \$50,000 to \$55,000 through May 1, 2030; semi-annual interest payments with interest rates of 1.50% to 3.50% (less discount of \$10,400 as of December 31, 2017). Paid by the Street Improvement District #23 fund. 300,200

\$1,030,000 Refunding Improvement Bonds of 2016 (Street Improvement District #24; Street Improvement District #25) - due in annual principal installments of \$60,000 to \$80,000 through May 1, 2031; semi-annual interest payments with interest rates of 1.50% to 3.15% (less discount of \$14,420 as of December 31, 2017). Paid by the Street Improvement District #24 and Street Improvement District #25 funds. 507,790

\$750,000 Refunding Improvement Bonds of 2019 (Street Improvement District #22; Street Improvement District #23) - due in annual principal installments of \$45,000 to \$60,000 through May 1, 2034; semi-annual interest payments with an interest rate of 2.25%. Paid by the Street Improvement District #22 and Street Improvement District #23 funds. 540,000

Total special assessments 1,347,990

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Revenue bonds payable:

\$586,800 Revenue Bonds of 2014 (Sewer Project) - due in annual principal installments of \$25,000 to \$40,000 through September 1, 2033; semi-annual interest payments with interest rate of 2.00%. Paid by the South Lagoon Revenue Bond fund. \$ 310,000

\$480,000 Revenue Bonds of 2017 (Water Meter Project), \$441,097 issued as of December 31, 2017 - due in annual principal installments of \$20,000 to \$30,000 through September 1, 2037; semi-annual interest payments with interest rate of 1.50%. Paid by the Water Meter Project fund. 285,000

\$880,000 Revenue Bonds of 2017 (Water Plant Project) - due in annual installments of \$51,193 beginning May 1, 2018, including interest at 1.50% through May 1, 2037. Paid by the Water Plant Improvements fund. 600,823

\$530,000 Revenue Bonds of 2017 (Water Treatment Plant), \$207,774 issued as of December 31, 2019 - due in annual principal installments of \$20,000 to \$30,000 through September 1, 2037; semi-annual interest payments with interest rate of 1.50%. Paid by the Water Plant Improvements fund. 128,000

\$345,000 Revenue Bonds of 2018 (Lime Sludge Removal Project), \$260,589 issued as of December 31, 2019 - due in annual principal installments of \$8,000 to \$15,000 through September 1, 2048; semi-annual interest payments with interest rate of 1.50%. Paid by the South Lagoon Lime Removal Project Fund. 346,000

\$1,923,00 Improvement Bond of 2024 (Water and Sewer Improvement District NO. 26), \$1,923,000 issued as of March 1, 2024 - due in annual principal installments of \$48,000 to \$80,000 through September 1, 2054; semi-annual interest payments with interest rate of 1.50%. 1,923,000

\$4,184,000 Improvement Bond of 2024 (Water and Sewer Improvement District NO. 26), \$4,184,000 issued as of March 1, 2024 - due in annual principal installments of \$109,000 to \$180,000 through September 1, 2054; semi-annual interest payments with interest rate of 1.50%. 2,898,443

Total revenue bonds payable 6,491,266

Total long term debt - Governmental activities \$ 8,444,085

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Component Units:

Notes payable:

\$111,300 Note payable - due in monthly payments of \$787 through June 2027; interest rate of 5.75%. Secured by separate mortgage. Dated September 18, 2006. \$ 22,344

\$210,439 Note payable - due in monthly payments of \$2,124 through August 2030; interest rate of 3.0%. Secured by real estate. Dated August 2020. 220,652

Total notes payable 242,996

Revenue bonds payable:

\$550,000 Revenue Bonds of 2008 - due in monthly installments of \$2,605 through February 1, 2044; interest rate of 4.50%. (Housing Authority - unaudited) 428,550

Total long term debt - Component units \$ 671,546

Special assessments on benefited property are used to pay for the improvement costs. The City is legally obligated to meet any deficiencies by levying an ad valorem tax.

The future expected requirements to amortize long-term debt, including interest, as of December 31, 2024 are as follows:

Governmental Activities

	Notes Payable		Direct Financing Purchases		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 194,575	\$ 12,221	\$ 26,648	\$ 1,968	\$ 175,000	\$ 35,153
2026	176,335	7,332	9,851	1,007	170,000	30,668
2027	156,170	2,795	10,298	515	170,000	26,048
2028	11,384	-	-	-	175,000	21,036
2029	11,611	-	-	-	180,000	15,765
2030-2034	7,956	7,956	-	-	490,000	21,890
Bond discount	-	-	-	-	(12,010)	12,010
	<u>\$ 558,031</u>	<u>\$ 30,304</u>	<u>\$ 46,797</u>	<u>\$ 3,490</u>	<u>\$ 1,347,990</u>	<u>\$ 162,570</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

	Revenue Bonds Payable		Total	
	Principal	Interest	Principal	Interest
2025	\$ 269,187	\$ 118,199	\$ 665,410	\$ 167,541
2026	268,816	114,010	625,002	153,017
2027	274,459	109,829	610,927	139,187
2028	280,110	105,537	466,494	126,573
2029	280,772	101,160	472,383	116,925
2030-2034	1,475,143	437,748	1,973,099	467,594
2035-2039	1,284,333	327,820	1,284,333	327,820
2040-2044	1,135,000	239,910	1,135,000	239,910
2045-2049	1,223,447	151,335	1,223,447	151,335
Bond discount	-	-	(12,010)	12,010
	<u>\$ 6,491,267</u>	<u>\$ 1,705,548</u>	<u>\$ 8,444,085</u>	<u>\$ 1,901,912</u>

<u>Component Units</u>	Notes Payable		Revenue Bonds Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 44,983	\$ 6,963	\$ 6,428	\$ 23,410	\$ 51,411	\$ 30,373
2026	46,591	5,357	6,791	23,047	53,382	28,404
2027	43,754	3,745	7,174	22,664	50,928	26,409
2028	39,975	2,487	7,578	22,260	47,553	24,747
2029	41,191	1,271	8,006	21,832	49,197	23,103
2030-2034	26,502	162	47,334	101,854	73,836	102,016
2035-2039	-	-	62,278	86,911	62,278	86,911
2040-2044	-	-	81,939	67,250	81,939	67,250
2045-2049	-	-	107,807	41,340	107,807	41,340
2050-2054			93,215	8,994	93,215	8,994
	<u>\$ 242,996</u>	<u>\$ 19,985</u>	<u>\$ 428,550</u>	<u>\$ 419,562</u>	<u>\$ 671,546</u>	<u>\$ 439,547</u>

The debt footnotes include the balances of the Housing Authority's revenue bond, which is an unaudited component unit. See the Independent Auditor's Report for additional information.

NOTE 7 RISK MANAGEMENT

The City 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, the state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence.

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City 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 one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the City with blanket fidelity bond

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City participates in the North Dakota 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.

NOTE 8 EMPLOYEE RETIREMENT PLANS

New York Life 457b Plan

The City sponsors a 457b plan administered by Mainstay through New York Life for employees hired prior to September 1, 2019. The plan and contribution requirements were established and may be amended by the City Council. The city contributes 11.26% of each participating employee's base wage. City contributions to the retirement program amounted to \$34,780 in 2024. This plan is closed to new participants.

NDPERS Law Enforcement Retirement System

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

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Firefighters. The Law Enforcement System 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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

Pension Benefits

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement 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 (55) with three or more years of service. 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. The plan permits early retirement at ages 50-55 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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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 in the Law Enforcement 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 Law Enforcement System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 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 established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

Plan	Member contribution rate	Employer contribution rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	11.40%
State	6.00%	11.40%
National Guard	5.50%	11.40%
Law Enforcement without previous service	5.50%	9.16%

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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, 2024, if the City were to report on the full accrual basis, a liability of \$26,164 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll/contributions in the Law Enforcement System pension plan relative to the covered payroll/contributions of all participating Law Enforcement System employers. At June 30, 2024, the Employer's proportion was 2.178691 percent, which is a decrease of 0.031077 from the prior year. There were no deferred inflows or outflows of resources report on the City's financial statements as they are reporting on the modified cash basis. The employer's pension contributions were \$32,553 for the year ended December 31, 2024.

Actuarial Assumptions

The total pension liability in the July 1, 2024 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.

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:

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.9%	5.40%
International Equity	19.1%	7.00%
Private Equity	7%	8.50%
Domestic Fixed Income	23%	2.88%
Global Real Assets	19%	6.10%

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 3.97%; and the resulting Single Discount Rate is 6.50%.

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

NDPERS Main Retirement 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. The plan provides retirement, disability, and death benefits. The cost to administer the plan is financed through contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a board comprised of eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management,

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

and the remaining three Board members are elected from active employees currently contributing to PERS.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service 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 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.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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 8.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 9.26% 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, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2024, if the City were to report on the full accrual basis, a liability of \$902,559 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability is based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2024, the Employer's proportion was 0.048256 percent, which is a decrease of 0.010164 from the prior year. There were no deferred inflows or outflows of resources reported on the City's financial statements as they are reporting on the modified cash basis. The employer's pension contributions were \$62,600 for the year ended December 31, 2024.

Actuarial assumptions

The total pension liability in the July 1, 2024 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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.9%	5.40%
International Equity	19.1%	7.00%
Private Equity	7%	8.50%
Domestic Fixed Income	23%	2.88%
Global Real Assets	19%	6.10%

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 3.97%; and the resulting Single Discount Rate is 6.50%.

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 9 OTHER POST RETIREMENT BENEFITS

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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

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

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

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

At December 31, 2024, if the City were to report on the full accrual basis, a liability of \$67,173 would have been reported. The net OPEB liability was measured as of June 30, 2024, and the total OPEB

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2024 the Employer's proportion was 0.077741 percent, which is a 0.000957 increase from the prior year. There were no deferred inflows or outflows of resources reported on the City's financial statements as they are reporting on the modified cash basis. The Employer's OPEB contributions were \$9,466 for the year ended December 31, 2024.

Actuarial Assumptions

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	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, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	4.00%
Small Cap Domestic Equities	6%	6.00%
Domestic Fixed Income	35%	3.29%
International Equities	26%	7.00%

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 rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

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.

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 10 CONCENTRATIONS OF CREDIT RISK

The City of Beulah, North Dakota, collects taxes and special assessments from constituents located within the city limits.

NOTE 11 FUND BALANCE/NET POSITION

At December 31, 2024, a summary of the governmental fund balance classifications are as follows:

	General Fund	Municipal Infrastructure Fund	Public Buildings Fund	Street Imp District #26	Non-major Governmental Funds
Restricted for:					
City Improvements	\$ -	\$ 546,411	\$ 58,460	\$ 662,363	\$ 614,072
Roads	-	-	-	-	884,462
Library	-	-	-	-	57,589
Emergency	-	-	-	-	56,696
Cemetery	-	-	-	-	49,027
Swimming Pool	-	-	-	-	65,362
Unassigned	2,471,291	-	-	-	-
	<u>\$ 2,471,291</u>	<u>\$ 546,411</u>	<u>\$ 58,460</u>	<u>\$ 662,363</u>	<u>\$ 1,727,208</u>

NOTE 12 LEGAL COMPLIANCE (BUDGETS)

The City's governing board amended the budgets during the year ended December 31, 2024. Amounts recorded for original and final budget are shown in the budget to actual schedules included with the supplementary information.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

NOTE 13 TRANSFERS

The following is a reconciliation of transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2024:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General	\$ 295,428	\$ 172,195
Public buildings	50,000	-
Non-major	337,272	70,423
Proprietary Funds:		
Water	-	153,913
Sewer	-	136,770
Garbage	41,952	107,689
Non-major	-	83,662
	<u>\$ 724,652</u>	<u>\$ 724,652</u>

The purpose of general fund and nonmajor governmental funds transfers were to cover negative fund balances and budgeted expenses. The purpose of the public buildings transfer was to make payments to the Convention Visitor's Bureau. The purpose of water fund transfers were to make bond payments, meet reserve requirements and transfer 20% of water revenue to the general fund as allowed by NDCC. The purpose of the sewer fund transfer was to make bond payments and to meet reserve requirements. The purpose of garbage fund transfers were to payoff portion of balance owed to the general fund, reimburse funds loaned to nonmajor funds and transfer 20% of garbage revenue to the general fund as allowed by NDCC. The purpose of non-major proprietary fund transfers were to balance budgets and transfer 20% of sewer revenue to the general fund as allowed by NDCC.

NOTE 14 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2024

This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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

NOTE 15 COMMITMENTS

The City has a pool heater project in progress as of December 31, 2024. This project has an expected total cost of approximately \$46,750 and has a remaining estimated cost to complete of approximately \$20,000.

They City has a Main street project in progress as of December 31, 2024. This project has an expected total cost of approximately \$8,719,113 and has a remaining estimated cost to complete of approximately \$1,906,716.

They City has a nursing home demolition project in progress as of December 31, 2024. This project has an expected total cost of approximately \$83,700 and has a remaining estimated cost to complete of approximately \$63,670.

NOTE 16 SUBSEQUENT EVENTS

No significant events occurred subsequent to the City's year end. Subsequent events have been evaluated through June 5, 2025, which is the date these financial statements were available to be issued.

CITY OF BEULAH
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 1,631,300	\$ 1,631,300	\$ 1,567,097	\$ (64,203)
Licenses and permits	24,990	24,990	29,286	4,296
Intergovernmental	175,000	175,000	229,140	54,140
Charges for services	34,200	34,200	51,844	17,644
Fines and forfeits	37,500	37,500	42,271	4,771
Interest	10,000	10,000	144,767	134,767
Grants	23,500	23,500	24,165	665
Miscellaneous	106,500	106,500	71,855	(34,645)
Total revenues	<u>2,042,990</u>	<u>2,042,990</u>	<u>2,160,425</u>	<u>117,435</u>
EXPENDITURES				
Current:				
General government	934,565	943,665	928,214	(15,451)
Public safety	938,975	941,075	779,293	(161,782)
Highways and streets	796,880	596,880	596,059	(821)
Culture and recreation	4,250	4,250	4,627	377
Health and welfare	4,500	4,500	2,400	(2,100)
Economic development	121,700	122,000	138,410	16,410
Total expenditures	<u>2,800,870</u>	<u>2,612,370</u>	<u>2,449,003</u>	<u>(163,367)</u>
Excess (deficiency) of revenues over expenditures	<u>(757,880)</u>	<u>(569,380)</u>	<u>(288,578)</u>	<u>280,802</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	361,600	361,600	295,428	(66,172)
Transfers out	(211,751)	(197,951)	(172,195)	25,756
Proceeds from issuance of debt	-	-	139,671	139,671
Total other financing sources (uses)	<u>149,849</u>	<u>163,649</u>	<u>262,904</u>	<u>99,255</u>
Net change in fund balances	<u>\$ (608,031)</u>	<u>\$ (405,731)</u>	<u>(25,674)</u>	<u>\$ 380,057</u>
Fund balance - beginning of year			<u>2,496,965</u>	
Fund balance - end of year			<u>\$ 2,471,291</u>	

CITY OF BEULAH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2024

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal AL Number	Amounts Passed Through to Subrecipients	Federal Expenditures
U.S. Environmental Protection Agency Passed through the North Dakota Public Finance Authority: Base Capitalization Grants for Drinking Water State Revolving Funds	66.468		<u>\$ 1,828,419</u>
Department of Treasury COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>496,304</u>
U.S. Department of Justice Edward Byrne Memorial Justice Assistance Grant Program	16.738	7,286	<u>7,286</u> <u>\$ 2,332,009</u>

See Notes to the Schedule of Expenditures of Federal Awards

CITY OF BEULAH
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 INDIRECT COST RATE

City of Beulah has not elected to use the 10-percent de minimus cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The Schedule includes the federal award activity of the City of Beulah under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Beulah, it is not intended to and does not present the financial position or change in net position of the City of Beulah.

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

To the City Council
City of Beulah, 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, the business-type activities, the aggregate discretely presented component units (except the Housing Authority), each major fund, and the aggregate remaining fund information of City of Beulah, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise City of Beulah's basic financial statements and have issued our report thereon dated June 5, 2025. In our report, our opinion was modified due to the fact the City had unaudited component units. Except for the scope limitation discussed in the preceding sentence, 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Beulah'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 City of Beulah's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Beulah'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 findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Beulah'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*.

City of Beulah's Response to Findings

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

Purpose of This Report

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



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

June 5, 2025

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

To the City Council
City of Beulah, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Beulah'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 City of Beulah's major federal programs for the year ended December 31, 2024. The City of Beulah'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, the City of Beulah complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Beulah's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Beulah's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over

compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

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

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

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



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

June 5, 2025

CITY OF BEULAH
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2024

2023-001: Financial Statement Preparation - Material Weakness

Criteria

An appropriate system of internal control requires the City to prepare financial statements in compliance with the modified cash basis of accounting.

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the council. However, the City currently does not prepare financial statements, including accompanying note disclosures, as required under the modified accrual basis of accounting. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

Status

Finding is repeated as 2024-001.

2023-002: Proposition of Journal Entries - Material Weakness

Criteria

The City is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that general ledger accounts are properly reflected in accordance with the modified cash basis of accounting.

Condition

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

Status

Finding is repeated as 2024-002.

CITY OF BEULAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on a modified cash basis:

Unmodified
and
Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?

 x yes

 no

Significant deficiency(ies) identified?

 yes

 x none reported

Noncompliance material to financial statements noted?

 yes

 x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 yes

 x no

Significant deficiency(ies) identified?

 x yes

 none reported

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

Unmodified

Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?

 x yes

 no

AL Number(s)

Name of Federal Program or Cluster

66.468

Base Capitalization Grants for Drinking Water State Revolving Funds

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

\$750,000

Auditee qualified as a low-risk auditee?

 yes

 x no

CITY OF BEULAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

Section II – Financial Statement Findings

2024-001: Financial Statement Preparation - Material Weakness

Criteria

An appropriate system of internal control requires the City to prepare financial statements in compliance with the modified cash basis of accounting.

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the council. However, the City currently does not prepare financial statements, including accompanying note disclosures, as required under the modified accrual basis of accounting. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

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

Effect

There is an increased risk of material misstatement to the City's financial statements.

Recommendation

We recommend the City 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 City 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.

Views of Responsible Officials

The City requested the auditors draft the notes and financial statements. This circumstance is not unusual in an organization of our size with the cost of additional employees. The governing body accepted responsibility by making this decision.

2024-002: Proposition of Journal Entries - Material Weakness

Criteria

The City is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that general ledger accounts are properly reflected in accordance with the modified cash basis of accounting.

Condition

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

Cause

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

CITY OF BEULAH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

Effect

The City's modified cash basis financial statements were materially misstated prior to the adjustments proposed by the City's auditors.

Recommendation

The City will need to determine the proper balance in each general ledger account prior to the audit.

Views of Responsible Officials

The City will review with the auditors the adjustments needed each year to balance the general ledger. The general ledger will properly reflect in accordance with the modified cash basis of accounting.

Section III – Federal Award Findings and Questioned Costs

2024-003: Lack of Procurement Policy – Significant Deficiency

AL 66.468 Base Capitalization Grants for Drinking Water State Revolving Funds

Criteria

2 CFR Part 200.318 states that a non-Federal entity must have and use documented procedures, consistent with state, local, and tribal laws and regulations and the standards of 2 CFR part 200.317 through 200.327.

Condition

The City does not have a written procurement policy in place.

Cause

The City has not written and approved a procurement policy.

Effect

Non-compliance with Procurement Suspension & Debarment compliance requirements.

Questioned Costs

\$0

Recommendation

We recommend for the City to create and implement a procurement policy that adheres to state and local regulations as well as 2 CFR Part 200.317 through 200.327.

Views of Responsible Officials

A procurement policy will be developed and approved by the City Council.

Repeat Finding

This is a new finding.

2024-01: Financial Statement Preparation

Contact Person
Heather Ferebee

Corrective Action Plan

The city requested the auditors draft the notes and financial statements. This circumstance is not unusual in an organization of our size with the cost of additional employees. The governing body accepted responsibility by making this decision.

Completion Date
2025

2024-02: Proposition of Journal Entries

Contact Person
Heather Ferebee

Corrective Action Plan

The city will review with the auditors the adjustments needed each year to balance the general ledger. The general ledger will properly reflect in accordance with the modified cash basis of accounting.

Completion Date
2025

2024-03: Lack of Procurement Policy

Contact Person
Heather Ferebee

Corrective Action Plan

A procurement policy will be developed and approved by the City Council.

Completion Date
2025