

CITY OF BEACH

**FINANCIAL STATEMENTS
DECEMBER 31, 2019**

WITH INDEPENDENT AUDITOR'S REPORT

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CITY OF BEACH
CITY OFFICIALS
DECEMBER 31, 2019

Jeanne Larson, Mayor

City Council

Nick Hegel, President
Andy Zachmann, Vice President
Tim Marman
Lynn Swanson-Puckett
Sarah Ross
Beverly Wolff

City Officials

Kimberly Gaugler, City Auditor
Jill Schatz, Deputy City Auditor
Randy Dietz, Public Works Superintendent
Bart Bishop, Assistant Public Works Superintendent



Independent Auditor's Report

City Council
City of Beach

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Beach, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Beach's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for City of Beach as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements:

- OPEB and pension balances were not properly reported in the prior year. Accordingly, adjustments have been made to the net position to correct the error.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the employer's proportionate share of net OPEB liability and employer contributions, schedule of the employer's proportionate share of net pension liability and employer contributions, statement of revenues, expenditures, and changes in fund balances – comparison of budget to actual general fund, statement of revenues, expenditures, and changes in fund balances – comparison of budget to actual City Sales Tax Fund, and notes to the required supplementary information on pages 40 - 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Beach's basic financial statements. The city officials listing is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The city officials listing has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2021 on our consideration of City of Beach'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 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 Beach's internal control over financial reporting and compliance.



Bismarck, North Dakota
August 5, 2021

CITY OF BEACH
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,266,859	\$ 215,715	\$ 1,482,574
Intergovernmental receivable	100,785	-	100,785
Taxes receivable	4,520	-	4,520
Special assessments receivable	-	20,009	20,009
Accounts receivable	-	40,099	40,099
Other receivables	-	10,781	10,781
Restricted cash	-	71,696	71,696
Other assets	4,274	11,831	16,105
Capital assets			
Nondepreciable	161,168	1,053,655	1,214,823
Depreciable, net	2,613,290	3,294,725	5,908,015
	<hr/>	<hr/>	<hr/>
Total assets	4,150,896	4,718,511	8,869,407
DEFERRED OUTFLOWS OF RESOURCES			
OPEB	3,445	6,504	9,949
Pensions	85,901	162,152	248,053
	<hr/>	<hr/>	<hr/>
Total deferred outflows of resources	89,346	168,656	258,002
LIABILITIES			
Accounts payable	250	15,233	15,483
Interest payable	4,201	8,158	12,359
Other payables	10,441	1,671	12,112
Deferred revenue	4,520	-	4,520
Noncurrent liabilities			
Due within one year			
Notes payable	34,822	6,219	41,041
Due in more than one year			
Compensated absences	11,093	15,358	26,451
Notes payable	1,225,855	475,781	1,701,636
Net OPEB liability	6,640	12,534	19,174
Net pension liability	103,946	196,212	300,158
	<hr/>	<hr/>	<hr/>
Total liabilities	1,401,768	731,166	2,132,934

See Notes to the Financial Statements

CITY OF BEACH
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2019

DEFERRED INFLOWS OF RESOURCES

OPEB	1,423	2,686	4,109
Pensions	<u>67,571</u>	<u>127,552</u>	<u>195,123</u>
Total deferred inflows of resources	<u>68,994</u>	<u>130,238</u>	<u>199,232</u>

NET POSITION

Net investment in capital assets	2,608,339	4,263,840	6,872,179
Unrestricted	<u>161,141</u>	<u>(238,077)</u>	<u>(76,936)</u>
Total net position	<u>\$ 2,769,480</u>	<u>\$ 4,025,763</u>	<u>\$ 6,795,243</u>

See Notes to the Financial Statements

CITY OF BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services, Fines, and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities	428,842	\$ -	\$ -	\$ 50,000	\$ (378,842)	\$ -	\$ (378,842)
Public safety	120,215	150	-	-	(120,065)	-	(120,065)
Public works	476,931	-	-	243,537	(233,394)	-	(233,394)
Public health	3,479	-	-	-	(3,479)	-	(3,479)
Culture and recreation	27,604	-	-	-	(27,604)	-	(27,604)
Total governmental activities	<u>1,057,071</u>	<u>150</u>	<u>-</u>	<u>293,537</u>	<u>(763,384)</u>	<u>-</u>	<u>(763,384)</u>
Business-type activities							
Water	371,554	289,974	-	-	-	(81,580)	(81,580)
Sewer	153,899	120,492	388,600	-	-	355,193	355,193
Garbage	202,210	146,030	-	-	-	(56,180)	(56,180)
Non-major	33,946	15,855	-	-	-	(18,091)	(18,091)
Total business-type activities	<u>761,609</u>	<u>572,351</u>	<u>388,600</u>	<u>-</u>	<u>-</u>	<u>199,342</u>	<u>199,342</u>
Total primary government	<u>\$ 1,818,680</u>	<u>\$ 572,501</u>	<u>\$ 388,600</u>	<u>\$ 293,537</u>	<u>(763,384)</u>	<u>199,342</u>	<u>(564,042)</u>
General revenue							
Property taxes					197,821	-	197,821
Special assessments					-	3,495	3,495
Licenses and permits					14,908	-	14,908
Oil and gas production tax					241,359	-	241,359
State aid and revenues not restricted to specific programs					127,633	-	127,633
Unrestricted interest income					3,127	-	3,127
Miscellaneous					94,669	42,814	137,483
Total general revenues					<u>679,517</u>	<u>46,309</u>	<u>725,826</u>
Change in net position					<u>(83,867)</u>	<u>245,651</u>	<u>161,784</u>
Net position, beginning of year, as originally stated					2,724,596	3,905,248	6,629,844
Restatement					<u>128,751</u>	<u>(125,136)</u>	<u>3,615</u>
Net position, beginning of year, as restated					<u>2,853,347</u>	<u>3,780,112</u>	<u>6,633,459</u>
Net position, end of year					<u>\$ 2,769,480</u>	<u>\$ 4,025,763</u>	<u>\$ 6,795,243</u>

See Notes to the Financial Statements

CITY OF BEACH
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>General Fund</u>	<u>City Sales Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 583,439	243,146	440,273	\$ 1,266,858
Intergovernmental receivable	62,967	23,153	14,665	100,785
Taxes receivable	4,296	-	224	4,520
Other assets	4,274	-	-	4,274
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	654,976	266,299	455,162	1,376,437
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	250	-	-	250
Other payables	-	-	10,441	10,441
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	250	-	10,441	10,691
DEFERRED INFLOWS OF RESOURCES				
Unavailable property taxes	4,296	-	224	4,520
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES				
Nonspendable	4,274	-	-	4,274
Restricted	-	-	319,000	319,000
Committed	-	266,298	9,847	276,145
Assigned	-	-	118,856	118,856
Unassigned	646,156	-	(3,205)	642,951
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	650,430	266,298	444,498	1,361,226
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 654,976</u>	<u>\$ 266,298</u>	<u>\$ 455,163</u>	<u>\$ 1,376,437</u>

See Notes to the Financial Statements

CITY OF BEACH
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total fund balance, governmental funds		\$ 1,361,226
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds		
Cost of capital assets	4,210,206	
Less accumulated depreciation	<u>(1,435,748)</u>	
Net capital assets		2,774,458
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds		
		(85,615)
Net OPEB liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds		
		(4,618)
Noncurrent liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and concurrent, are reported in the Statement of Net Position. Balances at December 31, 2019 are:		
Compensated absences	(11,093)	
Interest payable	(4,201)	
Notes payable	<u>(1,260,677)</u>	
Total noncurrent liabilities		<u>(1,275,971)</u>
Net position of governmental activities in the Statement of Net Position		<u>\$ 2,769,480</u>

CITY OF BEACH

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>	<u>City Sales Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 121,164	\$ -	\$ 76,657	\$ 197,821
Licenses and permits	14,908	-	-	14,908
Intergovernmental revenues	418,992	123,542	119,995	662,529
Fines and forfeitures	150	-	-	150
Other income	94,670	-	-	94,670
Investments and royalty income	2,943	-	184	3,127
	<u>652,827</u>	<u>123,542</u>	<u>196,836</u>	<u>973,205</u>
Total revenues				
Expenditures				
Current				
General government	180,969	-	-	180,969
Public safety	120,215	-	-	120,215
Public works	305,389	98,788	81,396	485,573
Public health	3,479	-	-	3,479
Culture and recreation	4,984	-	22,620	27,604
Community development	-	-	4,245	4,245
Debt service				
Principal	-	-	49,556	49,556
Interest	-	-	19,992	19,992
Capital outlay	9,868	-	-	9,868
	<u>624,904</u>	<u>98,788</u>	<u>177,809</u>	<u>901,501</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>27,923</u>	<u>24,754</u>	<u>19,027</u>	<u>71,704</u>
Other financing sources (uses)				
Transfers in	-	-	3,500	3,500
Transfers out	(3,000)	-	(500)	(3,500)
	<u>(3,000)</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balance	24,923	24,754	22,027	71,704
Fund balance, beginning of year	<u>625,507</u>	<u>241,545</u>	<u>422,470</u>	<u>1,289,522</u>
Fund balance, end of year	<u>\$ 650,430</u>	<u>\$ 266,299</u>	<u>\$ 444,497</u>	<u>\$ 1,361,226</u>

See Notes to the Financial Statements

CITY OF BEACH

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net change in fund balances - total governmental funds	\$	71,704
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital asset additions	209,604		
Current year depreciation	(208,899)		
Current year disposals	109,422		
			110,127

Changes to compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		2,570
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Changes to net pension and OPEB liability and pension related and OPEB related deferred outflows and inflows do not require the use of current fiscal resources and therefore are not reported as expenditures in governmental funds.			
Change in deferred outflows of resources	(94,387)		
Change in deferred inflows of resources	58,608		
Change in net pension liability	(268,068)		
			(303,847)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		35,579
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Change in net position - governmental activities	\$	<u>(83,867)</u>
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CITY OF BEACH
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 77,905	\$ 15,792	\$ 85,865	\$ 36,154	\$ 215,716
Special assessments receivable	10,005	10,004	-	-	20,009
Accounts receivable	18,026	10,830	11,243	-	40,099
Other receivables	10,507	183	91	-	10,781
Other assets	8,770	-	3,061	-	11,831
	<u>125,213</u>	<u>36,809</u>	<u>100,260</u>	<u>36,154</u>	<u>298,436</u>
Total current assets					
NONCURRENT ASSETS					
Restricted cash	-	71,696	-	-	71,696
Capital assets					
Nondepreciable	-	1,048,745	4,910	-	1,053,655
Depreciable, net	284,107	2,371,202	266,781	372,635	3,294,725
	<u>284,107</u>	<u>3,491,643</u>	<u>271,691</u>	<u>372,635</u>	<u>4,420,076</u>
Total noncurrent assets					
Total assets	<u>409,320</u>	<u>3,528,452</u>	<u>371,951</u>	<u>408,789</u>	<u>4,718,512</u>
DEFERRED OUTFLOWS OF RESOURCES					
OPEB	2,360	1,226	2,918	-	6,504
Pension	58,838	30,560	72,754	-	162,152
	<u>61,198</u>	<u>31,786</u>	<u>75,672</u>	<u>-</u>	<u>168,656</u>
Total deferred outflows of resources					
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
CURRENT LIABILITIES					
Accounts payable	150	15,083	-	-	15,233
Interest payable	-	8,159	-	-	8,159
Other payables	1,721	-	-	(50)	1,671
Notes payable	-	6,219	-	-	6,219
	<u>1,871</u>	<u>29,461</u>	<u>-</u>	<u>(50)</u>	<u>31,282</u>
Total current liabilities					

See Notes to the Financial Statements

CITY OF BEACH
STATEMENT OF NET POSITION – PROPRIETARY FUNDS - CONTINUED
DECEMBER 31, 2019

NONCURRENT LIABILITIES					
Compensated absences	7,524	3,741	4,093	-	15,358
Notes payable	-	475,781	-	-	475,781
Net OPEB liability	4,548	2,362	5,624	-	12,534
Net pension liability	<u>71,197</u>	<u>36,979</u>	<u>88,036</u>	-	<u>196,212</u>
Total noncurrent liabilities	<u>83,269</u>	<u>518,863</u>	<u>97,753</u>	-	<u>699,885</u>
Total liabilities	<u>85,140</u>	<u>548,324</u>	<u>97,753</u>	<u>(50)</u>	<u>731,167</u>
DEFERRED INFLOWS OF RESOURCES					
OPEB	975	506	1,205	-	2,686
Pension	<u>46,283</u>	<u>24,039</u>	<u>57,230</u>	-	<u>127,552</u>
Total deferred inflows of resources	<u>47,258</u>	<u>24,545</u>	<u>58,435</u>	-	<u>130,238</u>
NET POSITION					
Net investment in capital assets	284,107	3,419,947	271,691	372,635	4,348,380
Restricted	-	71,696	-	(71,696)	-
Unrestricted	<u>54,013</u>	<u>(504,274)</u>	<u>19,744</u>	<u>107,900</u>	<u>(322,617)</u>
Total net position	<u>\$ 338,120</u>	<u>\$ 2,987,369</u>	<u>\$ 291,435</u>	<u>\$ 408,839</u>	<u>\$ 4,025,763</u>

See Notes to the Financial Statements

CITY OF BEACH

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Revenues					
Charges for services	\$ 289,975	\$ 120,492	\$ 146,030	\$ 15,855	\$ 572,352
Special assessments	1,831	1,664	-	-	3,495
Total operating revenues	<u>291,806</u>	<u>122,156</u>	<u>146,030</u>	<u>15,855</u>	<u>575,847</u>
Expenses					
Personal services	115,859	53,179	126,512	-	295,550
Supplies	29,361	23,006	12,631	1,929	66,927
Purchased services	165,897	21,526	40,483	8,771	236,677
Repairs	50,766	6,354	9,114	9,195	75,429
Depreciation	9,672	41,675	19,144	14,049	84,540
Total operating expenses	<u>371,555</u>	<u>145,740</u>	<u>207,884</u>	<u>33,944</u>	<u>759,123</u>
Operating loss	<u>(79,749)</u>	<u>(23,584)</u>	<u>(61,854)</u>	<u>(18,089)</u>	<u>(183,276)</u>
Nonoperating revenues (expenses)					
Interest	-	(8,159)	-	-	(8,159)
Intergovernmental revenues	-	388,600	-	-	388,600
Capital outlay	-	-	5,673	-	5,673
Miscellaneous income	-	-	42,812	-	42,812
Total nonoperating revenues (expenses)	<u>-</u>	<u>380,441</u>	<u>48,485</u>	<u>-</u>	<u>428,926</u>
Change in net position	<u>(79,749)</u>	<u>356,857</u>	<u>(13,369)</u>	<u>(18,089)</u>	<u>245,650</u>
Total net position, beginning of year, as originally stated	461,125	2,652,978	364,217	426,928	3,905,248
Restatement	<u>(43,256)</u>	<u>(22,466)</u>	<u>(59,413)</u>	<u>-</u>	<u>(125,135)</u>
Total net position, beginning of year, as restated	<u>417,869</u>	<u>2,630,512</u>	<u>304,804</u>	<u>426,928</u>	<u>3,780,113</u>
Total net position, end of year	<u>\$ 338,120</u>	<u>\$ 2,987,369</u>	<u>\$ 291,435</u>	<u>\$ 408,839</u>	<u>\$ 4,025,763</u>

See Notes to the Financial Statements

CITY OF BEACH
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Water	Sewer	Garbage	Nonmajor Enterprise Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 289,824	\$ 122,188	\$ 149,232	\$ 15,857	\$ 577,101
Other receipts	1,832	1,664	-	-	3,496
Payments to suppliers	(236,251)	5,872	(43,084)	(19,947)	(293,410)
Payments to employees	(107,916)	(45,298)	(114,704)	-	(267,918)
Net cash provided by operating activities	(52,511)	84,426	(8,556)	(4,090)	19,269
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Miscellaneous income	-	-	4,985	-	4,985
Capital asset purchases	-	-	(122,073)	-	(122,073)
Net cash used by capital and related financing activities	-	-	(117,088)	-	(117,088)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(52,511)	84,426	(125,644)	(4,090)	(97,819)
CASH AND CASH EQUIVALENTS, beginning of year	130,416	3,062	211,509	40,244	385,231
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 77,905</u>	<u>\$ 87,488</u>	<u>\$ 85,865</u>	<u>\$ 36,154</u>	<u>\$ 287,412</u>
Reconciliation of cash and cash equivalents					
Cash	\$ 77,905	\$ 15,792	\$ 85,865	\$ 36,154	\$ 215,716
Restricted cash	-	71,696	-	-	71,696
Total cash and cash equivalents	<u>\$ 77,905</u>	<u>\$ 87,488</u>	<u>\$ 85,865</u>	<u>\$ 36,154</u>	<u>\$ 287,412</u>
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (79,749)	\$ (23,584)	\$ (61,854)	\$ (18,089)	\$ (183,276)
Adjustments to reconcile operating income to net cash provided by operating activities					-
Depreciation expense	9,672	41,675	19,144	14,049	84,540
Effects on cash flows due to changes in					-
Accounts receivable	(151)	1,696	3,203	-	4,748
Deferred outflows	(61,198)	(31,786)	(75,672)	-	(168,656)
Accounts payable	100	29,461	-	(50)	29,511
Deferred inflows	46,325	24,545	58,435	-	129,305
Net pension and OPEB liabilities	32,490	42,419	48,188	-	123,097
Net cash provided by operating activities	<u>\$ (52,511)</u>	<u>\$ 84,426</u>	<u>\$ (8,556)</u>	<u>\$ (4,090)</u>	<u>\$ 19,269</u>

See Notes to the Financial Statements

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 - Summary of Significant Accounting Policies

The City of Beach, North Dakota (the "City") 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.

Financial Reporting Entity

The accompanying financial statements present the activities of the City of Beach. The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the City of Beach to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City of Beach. Based on these criteria, there are no component units to be included within the City of Beach as a reporting entity.

There are no component units to be included with the City as reporting entities.

Measurement Focus and Basis of Accounting

In accordance with GASB Statement No. 34 (*Basic Financial Statements and Management's Discussion and analysis for State and Local Governments*), the basic financial statements include both government-wide and fund financial statements.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers tax revenues to be available within 60 days of the end of the current fiscal year period. Other revenues are considered available if received one year after the fiscal year-end. Major revenues that are determined to be susceptible to the accrual include grant revenues. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Property taxes, licenses, special assessments, grants, oil and gas production tax and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this identification are reported as nonoperating revenues and expenses.

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 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Each major fund is presented in a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund Financial Statements

The fund financial statements provide information about the City's funds including its fiduciary funds. Separate statements for each category-governmental, proprietary and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Financial Statement Presentation

The City reports the following major governmental funds:

General Fund – This 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.

City Sales Tax – This fund is used for infrastructure and community enhancement.

The City reports the following major enterprise funds:

Water – This fund is used to account for the operating and non-operating revenues and expenses of the public water utility system. This fund is maintained on the full accrual basis of accounting.

Sewer – This fund is used to account for the operating and non-operating revenues and expenses of the public sewer system. The fund is maintained on the full accrual basis of accounting.

Garbage – This fund is used to account for the operating of refuse pickup and disposal services. The fund is maintained on the full 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.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

The governing board reviews the preliminary budget, may make revisions, and approves it on or before September 10. On or before 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.

Cash and Cash Equivalents

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

Restricted Cash

Certain resources set aside in the general, water and sewer funds are classified as restricted assets because their use is limited by bond and loan covenants.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, curbs, etc.), are reported in the applicable governmental or business-type activities columns in the governmentwide financial statements. All capital assets are recorded at cost (or estimated historical 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. The City chose not to retroactively report infrastructure in accordance with Phase III implementation of GASB Statement No. 34. The City's infrastructure consists of curbs, sidewalks, and streets constructed after 2003.

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 expensed, not capitalized.

CITY OF BEACH

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

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

Buildings and infrastructure	40-100 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years

The City reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2019.

Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick leave benefits. Upon termination, the city will pay a maximum of 240 hours for vacation and 120 hours for sick pay. Amounts are reported as liabilities in the appropriate governmental or business-type activity in the government wide statements. Expenditure for unpaid vacation and sick leave benefits are recorded when paid in the governmental funds on the modified accrual basis of accounting and expenses for vacation and sick leave benefits are recorded when accrued in the proprietary funds on the full accrual basis of accounting.

Other Post-Employment Benefits (OPEB)

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

Pensions

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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 a liability in the government-wide statements. The long-term debt consists primarily of bonds payable. Bond premiums and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds are reported as debt service expenditures.

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and debt discounts as other financing uses. Payment of principal and interest is reported as expenditures. Issuance costs, whether or not withheld from debt proceeds received, are reported as debt service expenditures. The accounting for 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, as well as bond issuance costs, during the current period.

Net Position and Fund Balance

The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is “net position” on government-wide, proprietary and fiduciary financial statements and “fund balance” on the governmental 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 – prepaid expenses and 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 Council – the City’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

Assigned – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes but are neither restricted nor committed. The city council 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 expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first unless legal requirements disallow it. When committed, assigned, and unassigned funds are available for expenditures, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts unless the governing board has provided otherwise in its commitment or assignment actions.

Internal and Interfund Balances and Activities

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

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 1 of the year following the assessment date.

A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15. Penalty and interest are added on March 1 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.

Abatements

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. As of December 31, 2019, the City of Beach has one property with a tax abatement that runs through 2023. The abatement is granted under North Dakota Century Code 40-57-1-03, Tax Incentives for New or Expanding Businesses.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Prior Period Adjustment

A prior period adjustment was necessary to report Pension and OPEB liabilities, deferred outflows and inflows and related expenses in the business-type activities. A current year restatement was also necessary to reconcile the prior year balances to the trial balance.

The net result of these prior period adjustments increased net position for governmental activities by \$128,751 and decreased net position for business-type activities by \$125,136.

Note 3 - Cash and Cash Equivalents

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. These amounts must be deposited in a financial institution situated and doing business within this State. The City has no formal investment 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 does not have a formal policy regarding deposits. In accordance with state statutes, the fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds.

At year end December 31, 2019, the City's carrying amount of deposits was \$1,554,270 and the bank balance was \$1,760,207. Of the bank balances \$548,133 was covered by Federal Depository Insurance or coverage substantially the same as that provided by federal deposit insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

Note 4 - Accounts Receivable

Accounts receivable consists of billings for December and accounts delinquent at December 31, 2019.

Note 5 - Intergovernmental Receivable

Intergovernmental receivables consist of reimbursements due from the State Treasurer for city sales tax, hospitality tax, grants and state aid.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 6 - Capital Assets

Capital asset activity for the year ended December 31, 2019 is as follows:

Governmental Activities	Balance 1/1/19	Additions	Transfers	Reductions	Balance 12/31/19
Capital assets not being depreciated					
Land	\$ 161,168	\$ -	\$ -	\$ -	\$ 161,168
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>161,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,168</u>
Capital assets being depreciated					
Buildings and infrastructure	665,550	-	-	-	665,550
Machinery and equipment	1,012,162	209,604	-	(132,153)	1,089,613
Improvements other than buildings	<u>2,293,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,293,875</u>
Total capital assets being depreciated	<u>3,971,587</u>	<u>209,604</u>	<u>-</u>	<u>(132,153)</u>	<u>4,049,038</u>
Less accumulated depreciation					
Buildings and infrastructure	412,779	15,393	-	-	428,172
Machinery and equipment	529,389	62,185	-	(22,731)	568,843
Improvements other than buildings	<u>307,411</u>	<u>131,321</u>	<u>-</u>	<u>-</u>	<u>438,733</u>
Total accumulated depreciation	<u>1,249,579</u>	<u>208,899</u>	<u>-</u>	<u>(22,731)</u>	<u>1,435,748</u>
Total capital assets being depreciated	<u>2,722,008</u>	<u>705</u>	<u>-</u>	<u>(109,422)</u>	<u>2,613,290</u>
Governmental capital assets, net	<u>\$ 2,883,176</u>	<u>\$ 705</u>	<u>\$ -</u>	<u>\$ (109,422)</u>	<u>\$ 2,774,458</u>

Depreciation expense was charged to functions of the City as follows:

General government	\$ 12,590
Public safety	11,900
Public works	127,316
Social and economic services	<u>57,093</u>
 Total depreciation expense	 <u>\$ 208,899</u>

CITY OF BEACH

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019**

Business-Type Activities	Balance 1/1/19	Additions	Transfers	Reductions	Balance 12/31/19
Capital assets not being depreciated					
Land	\$ 221,217	\$ -	\$ -	\$ -	\$ 221,217
Construction in progress	54,815	832,438	-	-	887,253
Total capital assets not being depreciated	<u>276,032</u>	<u>832,438</u>	<u>-</u>	<u>-</u>	<u>1,108,470</u>
Capital assets being depreciated					
Buildings and infrastructure	854,820	-	-	-	854,820
Machinery and equipment	237,458	159,650	-	(109,946)	287,162
Infrastructure	2,777,648	-	-	-	2,777,648
Other capital assets	211,049	-	-	-	211,049
Total capital assets being depreciated	<u>4,080,975</u>	<u>159,650</u>	<u>-</u>	<u>(109,946)</u>	<u>4,130,679</u>
Less accumulated depreciation					
Buildings and infrastructure	386,497	18,683	-	-	405,180
Machinery and equipment	294,691	11,051	(134,542)	(98,600)	72,600
Infrastructure	201,090	46,002	134,542	-	381,634
Other capital assets	28,223	3,132	-	-	31,355
Total accumulated depreciation	<u>910,501</u>	<u>78,868</u>	<u>-</u>	<u>(98,600)</u>	<u>890,769</u>
Total capital assets being depreciated	<u>3,170,474</u>	<u>80,782</u>	<u>-</u>	<u>(11,346)</u>	<u>3,239,910</u>
Business-type capital assets, net	<u>\$ 3,446,506</u>	<u>\$ 913,220</u>	<u>\$ -</u>	<u>\$ (11,346)</u>	<u>\$ 4,348,380</u>

Business-type activities depreciation expense by fund is as follows:

Water	\$ 9,672
Sewer	36,003
Garbage	19,144
Other	<u>14,049</u>
 Total depreciation expense	 <u><u>\$ 78,868</u></u>

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 7 - Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2019:

Governmental Activities	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
Compensated absences	8,523	\$ 2,570	\$ -	\$ 11,093	\$ -
General obligation loan	1,296,256	-	35,579	1,260,677	34,822
Total	<u>\$ 1,304,779</u>	<u>\$ 2,570</u>	<u>\$ 35,579</u>	<u>\$ 1,271,770</u>	<u>\$ 34,822</u>
Business-Type Activities	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
Compensated absences	12,187	\$ 3,171	\$ -	\$ 15,358	\$ 15,358
Revenue bonds	482,000	-	-	482,000	6,219
Total	<u>\$ 494,187</u>	<u>\$ 3,171</u>	<u>\$ -</u>	<u>\$ 497,358</u>	<u>\$ 21,577</u>

Outstanding debt at December 31, 2019 (excluding compensated absences) consisted of the following issues:

Governmental Activities

General obligation loan; due in semi-annual installments of \$29,946 through May 2047; interest at 2% paid semi-annually; secured by special assessments on the Street Improvement District No. 2016-2. \$ 1,260,677

The City entered into a loan agreement with the Bank of North Dakota on August 1, 2017. The maximum amount of the note is \$3,888,000. The City drew down \$1,296,256 during 2017. The interest rate on the loan is 2%. The City is required to make semi-annual principal and interest payments of \$29,948 May 1, 2019 through May 1, 2047. The loan is secured by the special assessments on the Street Improvement District No. 2016-2.

Business-Type Activities

Sewer revenue bonds, Series 2019; due in annual installments of \$21,281 through May 2059; interest at 3.125% paid annually; liquidated with revenues generated for services provided out of the sewer fund. \$ 482,000

CITY OF BEACH

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019**

The annual maturity of long-term debt of the City, except compensated absences payable, as of December 31, 2019 is as follows:

Year Ended December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	34,822	25,069	59,891	6,219	15,063	21,282
2021	35,522	24,369	59,891	6,413	14,868	21,281
2022	36,236	23,655	59,891	6,613	14,668	21,281
2023	36,964	22,927	59,891	6,820	14,461	21,281
2024-2028	196,269	103,187	299,455	37,433	68,972	106,405
2029-2033	216,803	82,653	299,455	43,659	62,746	106,405
2034-2038	239,485	59,970	299,455	50,920	55,485	106,405
2039-2043	264,541	34,915	299,455	59,390	47,015	106,405
2044-2048	200,036	8,139	208,176	69,268	37,137	106,405
2049-2053	-	-	-	80,789	25,616	106,405
2054-2058	-	-	-	94,226	12,179	106,405
2059	-	-	-	20,252	633	20,885

Note 8 - Transfers

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

The following is a list of transfers for the year ending December 31, 2019:

Fund	Transfers In	Transfers Out
General fund	\$ -	\$ 3,000
City sales tax fund	-	-
Nonmajor governmental funds	3,500	500
Enterprise funds	-	-
Total transfers	\$ 3,500	\$ 3,500

The transfers in and out during 2019 were budgeted transfers.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 9 - Fund Balance

At December 31, 2019, the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>City Sales Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable	\$ 4,274	\$ -	\$ -	\$ 4,274
Restricted for				
Municipal highway	-	-	221,286	221,286
City occupancy	-	-	35,843	35,843
Street improvement	-	-	47,947	47,947
Emergency	-	-	13,924	13,924
Committed for				
Pool sales tax	-	-	2,477	2,477
City sales tax	-	266,298	-	266,298
Walking/biking path	-	-	7,370	7,370
Assigned for				
Capital projects	-	-	116,084	116,084
Tri-centennial	-	-	2,772	2,772
Unassigned	646,156	-	(3,205)	642,951
	<u>\$ 650,430</u>	<u>\$ 266,298</u>	<u>\$ 444,498</u>	<u>\$ 1,361,226</u>

Note 10 – OPEB Plan

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state

CITY OF BEACH

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

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

At December 31, 2019, the Employer reported a liability of \$19,174 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB 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, 2019, the Employer's proportion was 0.023872 percent, which was an increase of 0.012448 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Employer recognized OPEB expense of \$3,094. At December 31, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 475	\$ 599
Changes of assumptions	2,285	-
Net difference between projected and actual earnings on pension plan investments	21	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,167	3,511
Employer contributions subsequent to the measurement date (see below)	<u>594</u>	<u>-</u>
Total	<u>\$ 10,542</u>	<u>\$ 4,110</u>

\$594 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

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

Year ended December 31:

2020	\$ 837
2021	837
2022	1,015
2023	983
2024	781
Thereafter	1,385

Actuarial assumptions. The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For

CITY OF BEACH

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019**

disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
International Equities	40%	2.07%
Core-Plus Fixed Income	21%	6.95%

Discount rate. The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net OPEB liability	\$ 24,473	\$ 19,194	\$ 14,638

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 11 – Pension Plan

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member (employee) and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. The City has elected to make the member contributions. In accordance with accounting standards disclosures related to employer contributions do not include the employee contributions made by the City on behalf of employees.

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

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

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

At December 31, 2019, the Employer reported a liability of \$300,156 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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 in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the Employer's proportion was 0.025609 percent, which was an increase of 0.013441 percent from its proportion measured as of June 30, 2018.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

For the year ended December 31, 2019, the Employer recognized pension expense of \$77,482. At December 31, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 178	\$ 54,473
Changes of assumptions	112,160	96,299
Net difference between projected and actual earnings on pension plan investments	5,229	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	130,486	44,351
Employer contributions subsequent to the measurement date (see below)	14,251	-
Total	\$ 262,304	\$ 195,123

\$14,251 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

Year ended December 31:	
2020	\$ 32,688
2021	19,943
2022	5,121
2023	(3,950)
2024	(872)
Thereafter	-

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Actuarial assumptions. The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.50%

Salary increases

Service At Beginning Of Year	State Employee	Non-State Employee
0	12.00%	15.00%
1	9.50%	10.00%
2	7.25%	8.00%
3		
4		
Age		
Under 30	7.25%	10.00%
30-39	6.50%	7.50%
40-49	6.25%	6.75%
50-59	5.75%	6.50%
60+	5.00%	5.25%

*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return 7.50%, net of investment expenses

Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 430,359	\$ 300,156	\$ 190,763

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Note 12 – Subsequent Events

The City has evaluated subsequent events through the date of this report, the date which the financial statements were available to be issued.

CITY OF BEACH

**REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019**

CITY OF BEACH
SCHEDULE OF THE EMPLOYER'S SHARE OF NET OPEB LIABILITY
AND EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule of Employer's Share of Net OPEB Liability
ND Public Employees Retirement System
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2019</u>
Employer's proportion of the net OPEB liability (asset)	0.011424%	0.023872%
Employer's proportionate share of the net OPEB liability (asset)	8,997	19,174
Employer's covered-employee payroll	125,006	266,375
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.20%	7.20%
Plan fiduciary net position as a percentage of the total OPEB liability	61.89%	63.13%

*Complete data for this schedule is not available prior to 2017.

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

	<u>2018</u>	<u>2019</u>
Statutorily required contribution	1,466	3,098
Contributions in relation to the statutory required contribution	(2,220)	(2,298)
Contribution deficiency (excess)	754	800
Employer's covered-employee payroll	125,006	266,375
Contributions as a percentage of covered-employee payroll	1.78%	0.86%

*Complete data for this schedule is not available prior to 2017.

CITY OF BEACH
SCHEDULE OF THE EMPLOYER'S SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2016	2017	2018	2019
Employer's proportion of the net pension liability (asset)	0.019326%	0.020053%	0.019823%	0.025609%
Employer's proportionate share of the net pension liability (asset)	131,414	195,436	318,621	300,156
Employer's covered-employee payroll	172,167	202,084	202,365	266,375
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.33%	96.71%	157.45%	112.68%
Plan fiduciary net position as a percentage of the total pension liability	77.15%	93.62%	152.96%	71.66%

*Complete data for this schedule is not available prior to 2015.

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

	2016	2017	2018	2019
Statutorily required contribution	13,078	14,631	14,674	19,394
Contributions in relation to the statutory required contribution	(12,258)	15,231	14,482	(14,350)
Contribution deficiency (excess)	820	(600)	192	5,044
Employer's covered-employee payroll	172,167	202,084	202,365	266,375
Contributions as a percentage of covered-employee payroll	7.60%	7.54%	7.16%	5.39%

*Complete data for this schedule is not available prior to 2015.

CITY OF BEACH

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
COMPARISON OF BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 124,000	\$ 124,000	\$ 121,164	\$ (2,836)
Licenses and permits	14,300	14,300	14,908	608
Special assessments	-	-	-	-
Intergovernmental revenues	401,800	401,800	418,992	17,192
Charges for services	-	-	-	-
Fines and forfeitures	100	100	150	50
Other income	9,000	9,000	94,670	85,670
Investment and royalty earnings	1,000	1,000	2,943	1,943
Total revenues	550,200	550,200	652,827	102,627
Expenditures				
General government	177,050	177,050	180,969	3,919
Public safety	128,800	128,800	120,215	(8,585)
Public works	314,250	314,250	305,389	(8,861)
Public health	3,500	3,500	3,479	(21)
Culture and recreation	5,000	5,000	4,984	(16)
Community development	-	-	-	-
Debt service	-	-	-	-
Capital outlay	7,650	7,650	9,868	2,218
Total expenditures	636,250	636,250	624,904	(11,346)
Excess (Deficiency) of Revenues over Expenditures	(86,050)	(86,050)	27,923	113,973
Other Financing Sources (Uses)				
Transfers out	(3,000)	(3,000)	(3,000)	-
Total other financing sources and uses	(3,000)	(3,000)	(3,000)	-
Net change in fund balance	\$ (89,050)	\$ (89,050)	24,923	\$ 113,973
Fund Balance - Beginning			625,507	
Fund Balance - Ending			<u>\$ 650,430</u>	

CITY OF BEACH

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
COMPARISON OF BUDGET AND ACTUAL – SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental revenues	100,000	100,000	123,542	23,542
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other income	-	-	-	-
Investment and royalty earnings	-	-	-	-
Total revenues	100,000	100,000	123,542	23,542
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	94,870	94,870	98,788	3,918
Public health	-	-	-	-
Culture and recreation	-	-	-	-
Community development	-	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	94,870	94,870	98,788	3,918
Excess (Deficiency) of Revenues over Expenditures	5,130	5,130	24,754	19,624
Other Financing Sources (Uses)				
Sale of assets	-	-	-	-
Other income / expenses	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(15,000)	(15,000)	-	15,000
Total other financing sources and uses	(15,000)	(15,000)	-	15,000
Net change in fund balance	\$ (9,870)	\$ (9,870)	24,754	\$ 34,624
Fund Balance - Beginning			241,545	
Fund Balance - Ending			<u>\$ 266,299</u>	

CITY OF BEACH
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1 – OPEB:

Changes of benefit terms: Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

Note 2 - Pension:

Changes of benefit terms: The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.



**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**

The City Council
City of Beach

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, , each major fund, and the aggregate remaining fund information of City of Beach as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Beach's basic financial statements, and have issued our report thereon dated August 5, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Beach's internal control over financial reporting (internal control) to determine the 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 Beach's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Beach's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether City of Beach'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items.

City of Beach's Response to Findings

City of Beach's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Beach's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.


Bismarck, ND
August 5, 2021

City of Beach

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED December 31, 2019**

**2019-001 Preparation of Annual GAAP Financial Statements
Material Weakness in Internal Control over Financial Reporting**

Criteria – A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements and accompanying notes to the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Condition – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause – The control deficiency could result in a misstatement in the presentation of the financial statements.

Effect – Inadequate control over financial reporting of the City could result in the more than a remote likelihood that the City would not be able to draft the financial statements and accompanying notes to the financial statements without material errors.

Recommendation – The circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – The City concurs with the finding. The City does not believe it would be cost effective to hire additional personnel to prepare annual financial statements. We have discussed alternatives with our auditors and believe we have a viable option for our next audit.

**2019-002 Segregation of Duties
Significant Deficiency in Internal Control over Financial Reporting**

Criteria - A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion and that there is proper approval of transactions.

Condition – The City has a lack of segregation of duties in certain areas, specifically the cash receipt process and the review and approval process of manual journal entries due to limited staff.

Cause – The City has not implemented internal control procedures to ensure there is adequate segregation of duties related to all transactions handled in the accounting office and there are a limited number of employees to segregate all of the duties.

Effect – Inadequate segregation of duties could adversely affect the City's ability to detect potential material misstatements to the financial statements or fraudulent activity in a timely manner.

City of Beach

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED December 31, 2019**

Recommendation – While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible.

Views of Responsible Officials – The City concurs with the finding. The City does not believe it would be cost effective to hire additional personnel to properly segregate duties. To help mitigate this weakness the City Council will continue to be involved with and monitor the financial activities of the City.