

**CITY OF BEULAH
BEULAH, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS

	<u>Page</u>
City Officials	1
INDEPENDENT AUDITOR'S REPORT	2
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	5
Statement of Activities – Modified Cash Basis	6
Governmental Fund Financial Statements:	
Balance Sheet – Modified Cash Basis – Governmental Funds	7
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position – Modified Cash Basis	8
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Modified Cash Basis	9
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the Government-Wide Statement of Activities – Modified Cash Basis	10
Statement of Net Position – Modified Cash Basis – Proprietary Funds	11
Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis – Proprietary Funds	12
Statement of Cash Flows – Modified Cash Basis - Proprietary Funds	13
Notes to the Financial Statements	14
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – Modified Cash Basis – General Fund	41
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	42
Schedule of Finding and Response	44

CITY OF BEULAH, NORTH DAKOTA

CITY OFFICIALS

Mayor

Travis Frey

City Council

David Czywczynski
Loren Daede
Eric Hoffer
Kathy Kelsch
Gary Miller
David Ripplinger
Clyde Schulz
Kelsey Timmer

City Auditor

Heather Ferebee

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Beulah, North Dakota

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units (except the Housing Authority and the Convention and Visitor's Bureau), each major fund, and the aggregate remaining fund information of the City of Beulah, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units.

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.

Except for the matter described in the “Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units” paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Disclaimer
General Fund	Unmodified
Special Assessment #22 Fund	Unmodified
Water Fund	Unmodified
Garbage Fund	Unmodified
Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

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

The financial statements of the Beulah Housing Authority and Beulah Convention and Visitors Bureau, component units of the City, have not been audited, and we were not engaged to audit the Beulah Housing Authority’s or Beulah Convention and Visitors Bureau’s financials as a part of our audit of the City’s basic financial statements. The Beulah Housing Authority’s and Beulah Convention and Visitors Bureau’s financial activities are included in the City’s basic financial statements as discretely presented component units and represent 19 percent, less than 1 percent, and 37 percent of the assets, net position, and revenues, respectively, of the City’s aggregate discretely presented component units.

Disclaimer of Opinion

Because of the significance of the matter described in the “Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit” paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the City of Beulah, North Dakota. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Beulah, North Dakota, as of December 31, 2019, and, the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

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

Correction of Errors

As described in Note 15 to the financial statements, the 2018 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit as conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beulah's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2020, on our consideration of the City of Beulah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Beulah's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Beulah's internal controls over financial reporting and compliance.



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

June 1, 2020

CITY OF BEULAH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2019

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 4,234,103	\$ 1,392,909	\$ 5,627,012	\$ 505,629
Due from other funds	786,219	-	786,219	-
Total current assets	<u>5,020,322</u>	<u>1,392,909</u>	<u>6,413,231</u>	<u>505,629</u>
Non-current assets:				
Construction in progress	1,055,777	-	1,055,777	-
Land	-	-	-	10,000
Capital assets, net of accumulated depreciation	<u>14,957,110</u>	<u>12,391,281</u>	<u>27,348,391</u>	<u>2,046,071</u>
Total non-current assets	<u>16,012,887</u>	<u>12,391,281</u>	<u>28,404,168</u>	<u>2,056,071</u>
Total assets	<u>21,033,209</u>	<u>13,784,190</u>	<u>34,817,399</u>	<u>2,561,700</u>
<u>LIABILITIES</u>				
Current liabilities:				
Customer deposits held	-	13,415	13,415	-
Current portion of long-term debt	705,170	53,192	758,362	29,605
Due to other funds	-	786,219	786,219	-
Total current liabilities	<u>705,170</u>	<u>852,826</u>	<u>1,557,996</u>	<u>29,605</u>
Non-current liabilities:				
Non-current portion of long-term debt	<u>5,310,101</u>	<u>-</u>	<u>5,310,101</u>	<u>595,144</u>
Total liabilities	<u>6,015,271</u>	<u>852,826</u>	<u>6,868,097</u>	<u>624,749</u>
<u>NET POSITION</u>				
Net investment in capital assets	9,997,616	12,338,089	22,335,705	1,431,322
Restricted for:				
City Improvements	1,256,937	-	1,256,937	-
Roads	272,978	-	272,978	-
Retirement	14,675	-	14,675	-
Library	72,217	-	72,217	-
Emergency	174,537	-	174,537	-
Cemetery	89,191	-	89,191	-
Swimming Pool	135,408	-	135,408	-
Unrestricted	<u>3,004,379</u>	<u>593,275</u>	<u>3,597,654</u>	<u>505,629</u>
Total net position	<u>\$ 15,017,938</u>	<u>\$ 12,931,364</u>	<u>\$ 27,949,302</u>	<u>\$ 1,936,951</u>

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Component Units
Primary government:							
Governmental activities:							
General government	\$ 1,147,282	\$ 154,030	\$ -	\$ -	\$ (993,252)	\$ -	\$ (993,252)
Public safety	670,708	27,173	55	-	(643,480)	-	(643,480)
Highways and streets	1,672,636	-	-	-	(1,672,636)	-	(1,672,636)
Culture and recreation	274,173	69,204	8,032	-	(196,937)	-	(196,937)
Health and welfare	3,151	-	-	-	(3,151)	-	(3,151)
Economic development	106,754	-	-	-	(106,754)	-	(106,754)
Loss on disposal of fixed assets	1,400	-	-	-	(1,400)	-	(1,400)
Interest on long-term debt	171,965	-	-	-	(171,965)	-	(171,965)
Total governmental activities	4,048,069	250,407	8,087	-	(3,789,575)	-	(3,789,575)
Business-type activities:							
Water	896,754	722,067	-	-	-	(174,687)	(174,687)
Sewer	202,798	240,205	-	-	-	37,407	37,407
Garbage	425,486	423,044	-	-	-	(2,442)	(2,442)
Water meter	2,327	51,799	-	-	-	49,472	49,472
Water equipment reserve	12,307	-	-	-	-	(12,307)	(12,307)
Garbage equipment reserve	12,865	55,773	-	-	-	42,908	42,908
Total business-type activities	1,552,537	1,492,888	-	-	-	(59,649)	(59,649)
Total primary government	5,600,606	1,743,295	8,087	-	(3,789,575)	(59,649)	(3,849,224)
Component units	\$ 457,107	\$ 252,520	\$ 28,751	\$ -			\$ (175,836)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					491,464	-	491,464
Property taxes, levied for special purposes					509,974	-	509,974
Sales taxes					465,868	-	465,868
State aid distribution					170,086	-	170,086
Municipal highway tax					185,153	-	185,153
County road and bridge tax					15,069	-	15,069
Coal conversion tax					282,306	-	282,306
Coal severance tax					596,767	-	596,767
Cigarette tax					8,217	-	8,217
Investment earnings					15,514	-	15,514
Transfers					559,024	(559,024)	-
Miscellaneous					208,430	-	208,430
Total general revenues and transfers					3,507,872	(559,024)	2,948,848
Change in net position					(281,703)	(618,673)	(900,376)
Net position - beginning of year, as restated - see note 15					15,299,641	13,550,037	28,849,678
Net position - end of year					\$ 15,017,938	\$ 12,931,364	\$ 27,949,302

See Notes to the Financial Statements

CITY OF BEULAH
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	Special Assessments #22	Non-major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,218,160	\$ -	\$ 2,015,943	\$ 4,234,103
Due from other funds	786,219	-	-	786,219
Total assets	<u>\$ 3,004,379</u>	<u>\$ -</u>	<u>\$ 2,015,943</u>	<u>\$ 5,020,322</u>
<u>FUND BALANCES</u>				
Fund balances:				
Restricted	\$ -	\$ -	\$ 2,015,943	\$ 2,015,943
Unassigned	3,004,379	-	-	3,004,379
Total fund balances	<u>\$ 3,004,379</u>	<u>\$ -</u>	<u>\$ 2,015,943</u>	<u>\$ 5,020,322</u>

See Notes to the Financial Statements

CITY OF BEULAH
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION -
MODIFIED CASH BASIS
DECEMBER 31, 2019

Total Governmental Funds Balance	\$ 5,020,322
----------------------------------	--------------

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 fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	16,012,887
---	------------

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(6,015,271)</u>
--	--------------------

Net Position of Governmental Activities	<u><u>\$ 15,017,938</u></u>
---	-----------------------------

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Special Assessments #22	Non-major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Taxes	\$ 491,464	\$ 353,751	\$ 156,223	\$ 1,001,438
License and permits	19,330	-	-	19,330
Intergovernmental	1,072,500	-	659,053	1,731,553
Charges for services	134,700	-	69,176	203,876
Fines and forfeitures	27,173	-	28	27,201
Interest	15,514	-	-	15,514
Miscellaneous	79,545	-	128,885	208,430
Total revenues	<u>1,840,226</u>	<u>353,751</u>	<u>1,013,365</u>	<u>3,207,342</u>
<u>EXPENDITURES</u>				
Current:				
General government	715,072	1,076	431,134	1,147,282
Public safety	670,708	-	-	670,708
Highways and streets	306,333	-	366,651	672,984
Culture and recreation	37,054	-	237,119	274,173
Health and welfare	3,151	-	-	3,151
Economic development	69,435	-	37,319	106,754
Debt Service:				
Principal retirement	-	350,000	338,762	688,762
Interest and fiscal charges	-	24,325	141,296	165,621
Capital outlays	15,482	-	1,293,438	1,308,920
Total expenditures	<u>1,817,235</u>	<u>375,401</u>	<u>2,845,719</u>	<u>5,038,355</u>
Excess (deficiency) of revenues over (under) expenditures	<u>22,991</u>	<u>(21,650)</u>	<u>(1,832,354)</u>	<u>(1,831,013)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	326,685	21,650	466,762	815,097
Transfers out	(188,750)	-	(67,323)	(256,073)
Proceeds from issuance of debt	-	-	994,618	994,618
Total other financing sources and uses	<u>137,935</u>	<u>21,650</u>	<u>1,394,057</u>	<u>1,553,642</u>
Net change in fund balances	160,926	-	(438,297)	(277,371)
Fund balances - beginning of year, as restated - see note 15	2,843,453	-	2,454,240	5,297,693
Fund balances - end of year	<u>\$ 3,004,379</u>	<u>\$ -</u>	<u>\$ 2,015,943</u>	<u>\$ 5,020,322</u>

See Notes to the Financial Statements

CITY OF BEULAH
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balance - Governmental Funds \$ (277,371)

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

Capital outlay	1,308,920	
Depreciation expense	<u>(999,652)</u>	
Excess of capital outlay over depreciation expense		309,268

The loss on the sale of capital assets is a decrease in a net position. (1,400)

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. (994,618)

Government wide statements amortize discount on bonds payable over the over the life of the debt, while governmental funds recognize bond proceeds at issuance amount. (6,344)

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

Note payable	37,327	
Bonds payable	581,597	
Capital lease	<u>69,838</u>	
Total long-term debt repayment		<u>688,762</u>

Change in Net Position \$ (281,703)

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non-major Enterprise Funds	Total Enterprise Funds
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 793,309	\$ 162,901	\$ 43,815	\$ 392,884	\$ 1,392,909
Capital assets:					
Infrastructure	11,830,632	953,849	727,732	-	13,512,213
Equipment	65,050	29,489	550,604	65,173	710,316
Less: Accumulated depreciation	(1,228,472)	(107,995)	(440,267)	(54,514)	(1,831,248)
Total capital assets	10,667,210	875,343	838,069	10,659	12,391,281
Total assets	11,460,519	1,038,244	881,884	403,543	13,784,190
<u>LIABILITIES</u>					
Current liabilities:					
Due to other funds	-	-	786,219	-	786,219
Customer deposits held	13,415	-	-	-	13,415
Capital lease - current	-	-	53,192	-	53,192
Total liabilities	13,415	-	839,411	-	852,826
<u>NET POSITION</u>					
Net investment in capital assets	10,667,210	875,343	784,877	10,659	12,338,089
Unrestricted	779,894	162,901	(742,404)	392,884	593,275
Total net position	\$ 11,447,104	\$ 1,038,244	\$ 42,473	\$ 403,543	\$ 12,931,364

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non-major Enterprise Funds	Total Enterprise Funds
<u>OPERATING REVENUES</u>					
Charges for services	\$ 722,067	\$ 240,205	\$ 426,540	\$ 107,572	\$ 1,496,384
<u>OPERATING EXPENSES</u>					
Salaries and employee benefits	259,825	41,536	179,836	-	481,197
General maintenance and supplies	100,812	47,130	89,139	15,192	252,273
Chemicals and additives	50,588	41,539	-	-	92,127
Utilities	71,948	37,908	2,819	-	112,675
Fuel and vehicles	7,200	713	23,226	-	31,139
Depreciation	406,381	33,972	130,466	12,307	583,126
Total operating expenses	896,754	202,798	425,486	27,499	1,552,537
Operating income (loss)	(174,687)	37,407	1,054	80,073	(56,153)
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Interest	-	-	(3,496)	-	(3,496)
Income (loss) before contributions and transfers	(174,687)	37,407	(2,442)	80,073	(59,649)
Transfers in	-	-	66,074	40,000	106,074
Transfers out	(332,482)	(97,287)	(134,885)	(100,444)	(665,098)
Change in net position	(507,169)	(59,880)	(71,253)	19,629	(618,673)
Net position - beginning of year	11,954,273	1,098,124	113,726	383,914	13,550,037
Net position - end of year	<u>\$ 11,447,104</u>	<u>\$ 1,038,244</u>	<u>\$ 42,473</u>	<u>\$ 403,543</u>	<u>\$ 12,931,364</u>

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF CASH FLOW – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds				Total
	Water	Sewer	Garbage	Non-major enterprise funds	
Cash flows from operating activities:					
Receipts from customers	\$ 722,067	\$ 240,205	\$ 426,540	\$ 107,572	\$ 1,496,384
Payments to suppliers	(230,548)	(127,290)	(115,184)	(15,192)	(488,214)
Payments to employees	(259,825)	(41,536)	(179,836)	-	(481,197)
Net cash provided (used) by operating activities	231,694	71,379	131,520	92,380	526,973
Cash flows from noncapital and related financing activities:					
Increase (decrease) in customer deposits	3,855	-	-	-	3,855
Transfers in (out)	(332,482)	(97,287)	(68,811)	(60,444)	(559,024)
Net cash provided (used) by noncapital and related financing activities	(328,627)	(97,287)	(68,811)	(60,444)	(555,169)
Cash flows from capital and related financing activities:					
Purchase of property and equipment	(54,310)	(90,890)	(11,104)	-	(156,304)
Payment on capital lease obligations	-	-	(51,474)	-	(51,474)
Interest paid on capital lease obligations	-	-	(3,496)	-	(3,496)
Net cash provided (used) by capital and related financing activities	(54,310)	(90,890)	(66,074)	-	(211,274)
Net change in cash and cash equivalents	(151,243)	(116,798)	(3,365)	31,936	(239,470)
Cash and cash equivalents - January 1	944,552	279,699	47,180	360,948	1,632,379
Cash and cash equivalents - December 31	<u>\$ 793,309</u>	<u>\$ 162,901</u>	<u>\$ 43,815</u>	<u>\$ 392,884</u>	<u>\$ 1,392,909</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (174,687)	\$ 37,407	\$ 1,054	\$ 80,073	\$ (56,153)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	406,381	33,972	130,466	12,307	583,126
Net cash provided (used) by operating activities	<u>\$ 231,694</u>	<u>\$ 71,379</u>	<u>\$ 131,520</u>	<u>\$ 92,380</u>	<u>\$ 526,973</u>

See Notes to the Financial Statements

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 DESCRIPTION OF THE CITY

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Financial Reporting Entity

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

Complete financial statements for the Airport Authority and Job Development Authority may be obtained at the City's administrative office. These component units were audited by Brady, Martz and Associates, P.C., for the year ended December 31, 2019, and separate reports were issued.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

Fund Accounting

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Governmental Funds

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

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

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

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

Major Funds

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

Governmental

General fund as described above.

Special Assessment #22, a debt service fund, is used to account for the accumulation of resources for, and payment for Street Improvement District #22.

Proprietary

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

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

Garbage, an enterprise fund, is used to account for garbage pickup services provided to the residents of the City, and transfer station and recycling services provided to the public.

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

Measurement Focus and Basis of Accounting

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Measurement Focus

Government-wide financial statements

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

Fund financial statements

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

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

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

Basis of Accounting

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

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

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budgets and Budgetary Accounting

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

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

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

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

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

Cash and Cash Equivalents

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

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

Capital Assets

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

The City's capitalization policy is \$5,000 and an estimated useful life in excess of one year or more.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

Long-Term Debt

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

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

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

Equity Classifications

Government-wide Financial Statements

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

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Fund Financial Statements

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

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

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

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

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

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

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

Interfund Transactions

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

Fund Financial Statements

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

Government-wide Financial Statements

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

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

Property Taxes

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

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

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

Insurance Recoveries

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Use of Estimates

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

NOTE 3 DEPOSITS

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

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

Credit Risk:

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

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

As of December 31, 2019, the City had investments in certificates of deposits as authorized by statutes. These amounts are classified as cash and cash equivalents on the financial statements in accordance with the City's policy.

Custodial Credit Risk

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

The City maintains cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2019, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$5,097,231 of the City's deposits are covered by pledged securities held in the City's name. The total securities pledged exceed 110% of the uninsured balance.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Concentration of Credit Risk:

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

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances between primary government funds at December 31, 2019 is:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
Governmental Funds		
General Fund	\$ 786,219	\$ -
Proprietary Funds		
Garbage Fund	-	786,219
Total all funds	<u>\$ 786,219</u>	<u>\$ 786,219</u>

These advances were made to cover expenditure payments made out of this fund before the fund could collect fees to cover the expenditures. The fund will repay these advances as funds become available.

NOTE 5 CAPITAL ASSETS

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

	<u>Balance 1/1/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/19</u>
Governmental Activities				
Capital assets not being depreciated:				
Construction in progress	<u>\$ 44,890</u>	<u>\$ 1,010,887</u>	<u>\$ -</u>	<u>\$ 1,055,777</u>
Capital assets being depreciated:				
Equipment	1,455,230	35,933	(3,500)	1,487,663
Infrastructure	<u>16,784,773</u>	<u>262,102</u>	<u>-</u>	<u>17,046,875</u>
Total capital assets being depreciated	<u>18,240,003</u>	<u>298,035</u>	<u>(3,500)</u>	<u>18,534,538</u>
Less accumulated depreciation:				
Equipment	575,236	267,918	(2,100)	841,054
Infrastructure	<u>2,004,639</u>	<u>731,735</u>	<u>-</u>	<u>2,736,374</u>
Total accumulated depreciation	<u>2,579,875</u>	<u>999,653</u>	<u>(2,100)</u>	<u>3,577,428</u>
Total capital assets being depreciated, net	<u>15,660,128</u>	<u>(701,618)</u>	<u>(1,400)</u>	<u>14,957,110</u>
Net Capital Assets	<u>\$ 15,705,018</u>	<u>\$ 309,269</u>	<u>\$ (1,400)</u>	<u>\$ 16,012,887</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

	Balance 1/1/19	Additions	Deletions	Balance 12/31/19
Business-type Activities				
Capital assets being depreciated:				
Equipment	\$ 699,212	\$ 11,105	\$ -	\$ 710,317
Infrastructure	13,367,013	145,199		13,512,212
Total capital assets being depreciated	<u>14,066,225</u>	<u>156,304</u>	<u>-</u>	<u>14,222,529</u>
Less accumulated depreciation:				
Equipment	333,289	136,333		469,622
Infrastructure	914,832	446,794		1,361,626
Total accumulated depreciation	<u>1,248,121</u>	<u>583,127</u>	<u>-</u>	<u>1,831,248</u>
Net Capital Assets	<u>\$ 12,818,104</u>	<u>\$ (426,823)</u>	<u>\$ -</u>	<u>\$ 12,391,281</u>
	Balance 1/1/19 (Restated)	Additions	Deletions	Balance 12/31/19
Component Units *				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated:				
Equipment	89,098	15,071	-	104,169
Buildings	2,156,479	-	(220,848)	1,935,631
Building improvements	15,000	-	(15,000)	-
Infrastructure	1,138,291	-	-	1,138,291
Total capital assets being depreciated	<u>3,398,868</u>	<u>15,071</u>	<u>(235,848)</u>	<u>3,178,091</u>
Less accumulated depreciation:				
Equipment	24,364	18,071	-	42,435
Buildings	455,451	35,148	(35,335)	455,264
Building improvements	850	600	(1,450)	-
Infrastructure	588,411	45,910	-	634,321
Total accumulated depreciation	<u>1,069,076</u>	<u>99,729</u>	<u>(36,785)</u>	<u>1,132,020</u>
Total capital assets being depreciated, net	<u>2,329,792</u>	<u>(84,658)</u>	<u>(199,063)</u>	<u>2,046,071</u>
Net Capital Assets	<u>\$ 2,339,792</u>	<u>\$ (84,658)</u>	<u>\$ (199,063)</u>	<u>\$ 2,056,071</u>

* The component units include the Housing Authority, and Convention and Visitors Bureau which were unaudited. See the Independent Auditor's report for more information. As of December 31, 2019, the Housing Authority, and Convention and Visitors Bureau balances include:

Buildings	\$576,615
Accumulated depreciation – buildings	201,667
Depreciation expense	18,334

Depreciation expense for the governmental activities of \$999,653 was charged to Highways and Streets in the Statement of Activities.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

The City has entered into a lease agreement as lessee for financing the acquisition of a garbage truck. This lease qualified as a capital lease for accounting purposes and therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Below are details on the capitalized asset as of December 31, 2019.

Buildings	\$1,407,448
Equipment	257,642
Accumulated amortization	<u>(184,644)</u>
Total	<u>\$ 1,480,446</u>

NOTE 6 LONG TERM DEBT

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

	Balance 1/1/19 (Restated)	Additions	Reductions	Balance 12/31/19	Due Within One Year
Governmental Activities					
Note payable	\$ 173,679	\$ 52,245	\$ (37,327)	\$ 188,597	\$ 38,539
Capital lease	1,012,483	-	(69,839)	942,644	73,473
Special assessments	2,595,000	720,000	(470,000)	2,845,000	470,000
Revenue bonds payable	1,956,897	222,373	(111,580)	2,067,690	123,158
Bond discount	(34,990)	-	6,330	(28,660)	-
Total	<u>\$ 5,703,069</u>	<u>\$ 994,618</u>	<u>\$ (682,416)</u>	<u>\$ 6,015,271</u>	<u>\$ 705,170</u>
Business-type Activities					
Capital lease	<u>\$ 104,665</u>	<u>\$ -</u>	<u>\$ (51,473)</u>	<u>\$ 53,192</u>	<u>\$ 53,192</u>
Component Units *					
Notes payable	\$ 293,407	\$ -	\$ (128,341)	\$ 165,066	\$ 18,867
Revenue bonds payable	470,006	-	(10,323)	459,683	10,738
Total	<u>\$ 763,413</u>	<u>\$ -</u>	<u>\$ (138,664)</u>	<u>\$ 624,749</u>	<u>\$ 29,605</u>

*The component units include the Housing Authority, and Convention and Visitors Bureau which were unaudited. See the Independent Auditor's report for more information. As of December 31, 2019, the Housing Authority, and Convention and Visitors Bureau balances include:

Revenue bonds payable	\$459,683
Notes payable	30,878
Payments made on bonds	(10,323)
Payments made on notes	(3,646)
Due within one year - bonds	10,738
Due within one year - notes	3,739

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Long term debt at December 31, 2019 consists of the following individual issues:

Governmental Activities:	Balance 12/31/19
<u>Note payable:</u>	
Note payable dated September 15, 2017. Payable in annual installments of \$8,149 beginning December 15, 2017, including interest at 4.25% through December 15, 2020. Paid by the Equipment Service Fund. Secured by police vehicle.	\$ 7,815
Note payable dated October 3, 2018. Payable in annual installments of \$34,580 beginning October 3, 2019, including interest at 3% through October 3, 2023. Paid by the Equipment Service Fund. Secured by Cat Loader.	128,537
Note payable dated September 18, 2019. Payable in annual installments of \$6,562 beginning April 18, 2020, including interest at 2% through September 18, 2029. Paid by the Intersection Project Fund. Secured by certificate of indebtedness, series 2019.	52,245
Total notes payable	188,597
<u>Capital lease:</u>	
Capital lease for acquisition of pool. Payable in semi-annual installments of \$61,414, beginning February 1, 2010, including interest at 5.25% through August 1, 2029. Paid by the Swimming Pool fund.	\$ 942,644
<u>Special assessments:</u>	
\$3,600,000 Refunding Improvement Bonds of 2011 (Street Improvement District #22) - due in annual principal installments of \$320,000 to \$395,000 through May 1, 2021; semi-annual interest payments with interest rates of .60% to 2.950% (less discount of \$16,500 as of December 31, 2017). Paid by the Special Assessment #22 fund.	\$ 692,500
\$800,000 Refunding Improvement Bonds of 2015 (Street Improvement District #23) - due in annual principal installments of \$50,000 to \$55,000 through May 1, 2030; semi-annual interest payments with interest rates of 1.50% to 3.50% (less discount of \$10,400 as of December 31, 2017). Paid by the Street Improvement District #23 fund.	571,200

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

\$1,030,000 Refunding Improvement Bonds of 2016 (Street Improvement District #24; Street Improvement District #25) - due in annual principal installments of \$60,000 to \$80,000 through May 1, 2031; semi-annual interest payments with interest rates of 1.50% to 3.15% (less discount of \$14,420 as of December 31, 2017). Paid by the Street Improvement District #24 and Street Improvement District #25 funds. \$ 832,640

\$750,000 Refunding Improvement Bonds of 2019 (Street Improvement District #22; Street Improvement District #23) - due in annual principal installments of \$45,000 to \$60,000 through May 1, 2034; semi-annual interest payments with an interest rate of 2.25%. Paid by the Street Improvement District #22 and Street Improvement District #23 funds. 720,000

Total special assessments 2,816,340

Revenue bonds payable:

\$586,800 Revenue Bonds of 2014 (Sewer Project) - due in annual principal installments of \$25,000 to \$40,000 through September 1, 2033; semi-annual interest payments with interest rate of 2.00%. Paid by the South Lagoon Revenue Bond fund. \$ 460,000

\$480,000 Revenue Bonds of 2017 (Water Meter Project), \$441,097 issued as of December 31, 2017 - due in annual principal installments of \$20,000 to \$30,000 through September 1, 2037; semi-annual interest payments with interest rate of 1.50%. Paid by the Water Meter Project fund. 385,000

\$880,000 Revenue Bonds of 2017 (Water Plant Project) - due in annual installments of \$51,193 beginning May 1, 2018, including interest at 1.50% through May 1, 2037. Paid by the Water Plant Improvements fund. 802,327

\$530,000 Revenue Bonds of 2017 (Water Treatment Plant), \$207,774 issued as of December 31, 2019 - due in annual principal installments of \$20,000 to \$30,000 through September 1, 2037; semi-annual interest payments with interest rate of 1.50%. Paid by the Water Plant Improvements fund. 167,774

\$345,000 Revenue Bonds of 2018 (Lime Sludge Removal Project), \$260,589 issued as of December 31, 2019 - due in annual principal installments of \$8,000 to \$15,000 through September 1, 2048; semi-annual interest payments with interest rate of 1.50%. Paid by the South Lagoon Lime Removal Project Fund. 252,589

Total revenue bonds payable 2,067,690

Total long term debt - Governmental activities \$ 6,015,271

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Business-type Activities:

Capital lease:

Capital lease for acquisition of garbage truck. Payable in annual installments of \$54,969, beginning June 15, 2016, including interest at 3.34% through June 15, 2020. Paid by the Garbage fund.

\$ 53,192

Component Units:

Notes payable:

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

\$ 57,865

\$88,500 Note payable - due in monthly payments of \$950 through May 2021; interest rate of 3.5%. Secured by assignment of contract for deed dated July 17, 2018.

76,323

\$40,050 Note payable - due in monthly payments of \$379 through December 2021; interest rate of 2.6%

30,878

Total notes payable

165,066

Revenue bonds payable:

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

459,683

Total long term debt - Component units

\$ 624,749

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

The future expected requirements to amortize long-term debt, including interest, as of December 31, 2019 are as follows:

Governmental Activities

	Notes Payable		Capital Leases		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 38,539	\$ 4,189	\$ 73,473	\$ 49,355	\$ 470,000	\$ 54,129
2021	38,207	2,934	77,568	45,260	515,000	73,356
2022	39,156	1,985	81,752	41,076	165,000	47,948
2023	40,135	1,007	86,162	36,666	165,000	43,903
2024	6,562	-	90,724	32,104	170,000	39,656
2025-2029	25,998	-	532,965	81,176	870,000	128,669
2030-2034	-	-	-	-	490,000	21,890
Bond discount	-	-	-	-	(28,660)	28,660
	<u>\$ 188,597</u>	<u>\$ 10,115</u>	<u>\$ 942,644</u>	<u>\$ 285,637</u>	<u>\$ 2,816,340</u>	<u>\$ 438,211</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

	Revenue Bonds Payable		Total	
	Principal	Interest	Principal	Interest
2020	\$ 123,158	\$ 39,415	\$ 705,170	\$ 147,088
2021	123,746	37,418	754,521	158,968
2022	124,342	35,411	410,250	126,420
2023	124,947	33,396	416,244	114,972
2024	125,561	26,857	392,847	98,617
2025-2029	575,120	92,271	2,004,083	302,116
2030-2034	549,143	39,873	1,039,143	61,763
2035-2039	279,084	6,520	279,084	6,520
2040-2044	42,589	-	42,589	-
Bond discount	-	-	(28,660)	28,660
	<u>\$ 2,067,690</u>	<u>\$ 311,161</u>	<u>\$ 6,015,271</u>	<u>\$ 1,045,124</u>

	Capital Leases	
	Principal	Interest
2020	<u>\$ 53,192</u>	<u>\$ 1,777</u>

Component Units *

	Notes Payable		Revenue Bonds Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 18,867	\$ 12,077	\$ 10,738	\$ 20,522	\$ 29,605	\$ 32,599
2021	101,289	9,473	11,289	19,971	112,578	29,444
2022	7,045	6,812	11,808	19,452	18,853	26,264
2023	7,463	5,765	12,350	18,910	19,813	24,675
2024	7,901	4,657	12,865	18,395	20,766	23,052
2025-2029	22,500	6,810	73,993	82,307	96,493	89,117
2030-2034	-	-	92,632	63,668	92,632	63,668
2035-2039	-	-	115,965	40,335	115,965	40,335
2040-2044	-	-	118,043	11,591	118,043	11,591
	<u>\$ 165,066</u>	<u>\$ 45,594</u>	<u>\$ 459,683</u>	<u>\$ 295,151</u>	<u>\$ 624,749</u>	<u>\$ 340,745</u>

* The component unit future maturities include the maturities of the Housing Authority's revenue bond and the Convention and Visitors Bureau's note payable, which are unaudited component units. See the Independent Auditor's Report for additional information.

NOTE 7 RISK MANAGEMENT

The City is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, the state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence.

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City participates in the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 8 EMPLOYEE RETIREMENT PLANS

New York Life Defined Contribution Plan

The City sponsors a defined contributions pension plan administered by Mainstay through New York Life for employees hired prior to September 1, 2019. The plan and contribution requirements were established and may be amended by the City Council. This plan requires employer contributions of 8% of each participating employee's gross wage. City contributions to the retirement program amounted to \$60,065 in 2019, \$86,341 in 2018, and \$84,144 in 2017. The plan does not include provisions for employee contributions. The City's policy is to fund all pension costs accrued. Since the pension plan is a "money purchase plan," actuarially computed vested benefits do not exceed the pension plan.

NDPERS Main Retirement System

The City participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the plan. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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; and 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. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100.

To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

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

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

At December 31, 2019, if the City were to report on the full accrual basis, a liability of \$44,105 for its proportionate share of the net pension liability would have been reported. 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 is based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the Employer's proportion was 0.003763 percent. There were no deferred inflows or outflows of resources reported on the District's financial statements as they are reporting on the modified cash basis.

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%
	<u>Age</u>		
	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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
Global Real Assets	19%	5.41%

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%.

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 9 OTHER POST RETIREMENT BENEFITS

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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, if the City were to report on the full accrual basis, a liability of \$2,818 would have been reported. 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 0.003508 percent. There were no deferred inflows or outflows of resources reported on the City's financial statements as they are reporting on the modified cash basis.

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 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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	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.

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

NOTE 10 CONCENTRATIONS OF CREDIT RISK

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

NOTE 11 FUND BALANCE/NET POSITION

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

	<u>General Fund</u>	<u>Special Assessments #22</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Restricted for:				
City Improvements	\$ -	\$ -	\$ 1,256,937	\$ 1,256,937
Roads	-	-	272,978	272,978
Retirement	-	-	14,675	14,675
Library	-	-	72,217	72,217
Emergency	-	-	174,537	174,537
Cemetery	-	-	89,191	89,191
Swimming Pool	-	-	135,408	135,408
Unassigned	3,004,379	-	-	3,004,379
	<u>\$ 3,004,379</u>	<u>\$ -</u>	<u>\$ 2,015,943</u>	<u>\$ 5,020,322</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 12 LEGAL COMPLIANCE (BUDGETS)

The City's governing board amended the budgets during the year ended December 31, 2019. Amounts recorded for original and final budget are shown in the budget to actual schedules included with the required supplementary information.

The City's did not have expenditures that exceeded budgeted appropriations for any funds for the year ended December 31, 2019.

NOTE 13 TRANSFERS

The following is a reconciliation of transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2019:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General	\$ 326,685	\$ 188,750
Special Assessment #22	21,650	-
Non-major	466,762	67,323
Proprietary Funds:		
Water	-	332,482
Sewer	-	97,287
Garbage	66,074	134,885
Non-major	40,000	100,444
	<u>\$ 921,171</u>	<u>\$ 921,171</u>

The purpose for the above transfers in the general fund were to balance the budget at year end. The purpose for the above transfers in the special assessment #22 fund was to cover negative fund balance. The above transfers in the water and sewer funds were to cover bond payments and reserve requirements and costs for water meter and south lagoon slime removal projects. The above transfer to the garbage fund was for the garbage truck loan payment, and the non-major fund transfers in were to cover negative fund balances, close balances, and cover expenses for the year.

NOTE 14 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

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

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

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

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 15 PRIOR PERIOD ADJUSTMENTS

The City recorded prior period adjustments to the December 31, 2018 financial statements for the following:

- Two special revenues funds used to account for the collection of city sales taxes were previously reported as fiduciary activities. An adjustment of \$192,788 was recorded, which represents the funds' fund balances / net position as of December 31, 2018.
- The Convention and Visitors Bureau was not previously identified as a component unit of the City. An adjustment of \$90,368, which represents the Bureau's net position as of December 31, 2018, was recorded.
- Two special revenues funds used to account for the collection of city sales taxes were previously reported as fiduciary activities. An adjustment of \$192,788 was recorded, which represents the funds' fund balances / net position as of December 31, 2018.
- 31, 2018.

The net effect of the prior period adjustments are as follows:

<u>Opinion Unit</u>	<u>Adjustment</u>	<u>Effect on Net Position</u>
Aggregate Remaining Funds	Cash and cash equivalents	\$192,877
Governmental Activities	Cash and cash equivalents	192,877
Aggregate Discretely Presented Component Units	Cash and cash equivalents	98,278
Aggregate Discretely Presented Component Units	Notes payable	34,524
Aggregate Discretely Presented Component Units	Capital assets	26,614

NOTE 16 COMMITMENTS

The City has the 12th Street Storm Sewer Project in progress as of December 31, 2019. This project has an expected total cost of approximately \$510,000 and has a remaining estimated cost to complete of approximately \$90,000. The City has issued debt to support this expenditure.

The City has the Gateway Addition Storm Sewer Project in progress as of December 31, 2019. This project has an expected total cost of approximately \$397,000 and has a remaining estimated cost to complete of approximately \$61,000. The City has issued debt to support this expenditure.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

The City has the Lime Removal Project in progress as of December 31, 2019. This project has an expected total cost of approximately \$324,000 and has a remaining estimated cost to complete of approximately \$64,000. The City has issued debt to support this expenditure.

The City has an Intersection Project in progress as of December 31, 2019. This project has an expected total cost of approximately \$88,000 and has a remaining estimated cost to complete of approximately \$33,000. The City has issued debt to support this expenditure.

NOTE 17 SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal state and local governments have since implemented various restrictions on travel, public gatherings and business operations. Restrictions and government social distancing recommendations have significantly impacted the activities of the City. While the City expects this matter to negatively impact its results of operations and financial condition, the extent of the impact is uncertain.

Subsequent events have been evaluated through June 1, 2020, which is the date these financial statements were available to be issued.

CITY OF BEULAH
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 1,466,015	\$ 1,466,015	\$ 491,464	\$ (974,551)
Licenses and permits	20,125	20,125	19,330	(795)
Intergovernmental	163,251	163,251	1,072,500	909,249
Charges for services	139,820	139,820	134,700	(5,120)
Fines and forfeits	29,500	29,500	27,173	(2,327)
Interest	5,000	5,000	15,514	10,514
Miscellaneous	70,200	70,200	79,545	9,345
Total revenues	<u>1,893,911</u>	<u>1,893,911</u>	<u>1,840,226</u>	<u>(53,685)</u>
EXPENDITURES				
Current:				
General government	867,062	867,062	715,072	151,990
Public safety	718,020	718,020	670,708	47,312
Highways and streets	360,130	360,130	306,333	53,797
Culture and recreation	36,400	36,400	37,054	(654)
Health and welfare	3,500	3,500	3,151	349
Economic development	76,820	76,820	69,435	7,385
Capital outlays	-	-	15,482	(15,482)
Total expenditures	<u>2,061,932</u>	<u>2,061,932</u>	<u>1,817,235</u>	<u>244,697</u>
Excess (deficiency) of revenues over expenditures	<u>(168,021)</u>	<u>(168,021)</u>	<u>22,991</u>	<u>191,012</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	273,000	273,000	326,685	53,685
Transfers out	<u>90,000</u>	<u>90,000</u>	<u>(188,750)</u>	<u>(278,750)</u>
Total other financing sources (uses)	<u>363,000</u>	<u>363,000</u>	<u>137,935</u>	<u>(225,065)</u>
Net change in fund balances	<u>\$ 194,979</u>	<u>\$ 194,979</u>	<u>160,926</u>	<u>\$ (34,053)</u>
Fund balance - beginning of year, as restated			<u>2,843,453</u>	
Fund balance - end of year			<u>\$ 3,004,379</u>	

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

To the City Council
City of Beulah, North Dakota

We have audited, in accordance with 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 modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units (except the Housing Authority and the Convention and Visitor's Bureau), each major fund, and the aggregate remaining fund information of the City of Beulah, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the modified cash basis financial statements, which collectively comprise the City of Beulah, North Dakota's basic financial statements and have issued our report thereon dated June 1, 2020. In our report, our opinion was modified due to the fact the City had unaudited component units. Except for the scope limitation discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Beulah's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Beulah's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Beulah's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2019-001 and 2019-002 that we considered to be material weaknesses.

Compliance and Other Matters

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

City of Beulah's Response to Finding

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

Purpose of this Report

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



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

June 1, 2020

CITY OF BEULAH
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019

2019-001: Financial Statement Preparation - Material Weakness

Criteria

An appropriate system of internal control requires the City to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

We requested the auditors draft the accompanying notes to the financial statements. We believe this circumstance is not unusual in an organization of our size. Management and those charged with governance accept the responsibility to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

2019-002: Proposition of Journal Entries - Material Weakness

Criteria

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

Condition

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

Cause

Two special revenues funds used to account for the collection of city sales taxes were previously reported as fiduciary activities. The Convention and Visitor's Bureau had not previously been identified as a component unit of the City.

CITY OF BEULAH
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
DECEMBER 31, 2019

Effect

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

Recommendation

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

Views of Responsible Officials

The two special revenue funds used to account for Occupancy tax and Restaurant & Lodging tax are treated as special revenue funds currently. They were reported in the past as fiduciary and now have been changed. CVB was determined to be a component unit of the city during fiscal year 2019. Appropriate adjustments were made to include CVB as a discretely presented component unit.