

CITY OF BEACH

FINANCIAL STATEMENTS DECEMBER 31, 2020

WITH INDEPENDENT AUDITOR'S REPORT

City Officials	1
Independent Auditor's Report	2 - 4
Government Wide Financial Statements	
Statement of Net Position	5 - 6
Statement of Activities	7
Fund Financial Statements	
Balance Sheet - Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	9 - 10
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	11
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the Government-Wide Statement of Activities	12 - 13
Statement of Net Position - Proprietary Funds	14 - 15
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17
Notes to the Financial Statements	18 - 39
Required Supplementary Information	
Schedule of the Employer's Share of Net OPEB Liability and Employer Contributions	40
Schedule of the Employer's Share of Net Pension Liability and Employer Contributions	41
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Comparison of Budget to Actual General Fund	42
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Comparison of Budget to Actual City Sales Tax Fund	43
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Highway Distribution Fund	44
Notes to the Required Supplementary Information	45
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>	46 - 47

CITY OF BEACH
CITY OFFICIALS
DECEMBER 31, 2020

City Council

Walter Losinski, Mayor
Nick Hegel, President
Andy Zachmann, Vice President
Tom Marman
Lynn Swanson-Puckett
Sarah Ross
Beverly Wolff

City Officials

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



Independent Auditor's Report

City Council
City of Beach

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Beach, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise City of Beach's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Beach, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the employer's proportionate share of net OPEB liability and employer contributions, schedule of the employer's proportionate share of net pension liability and employer contributions, statement of revenues, expenditures, and changes in fund balances – comparison of budget to actual general fund, statement of revenues, expenditures, and changes in fund balances – comparison of budget to actual City Sales Tax Fund, statement of revenues, expenditures and changes in fund balances – comparison of budget and actual Highway Distribution fund, statement of revenues expenditures, and notes to the required supplementary information on pages 40-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

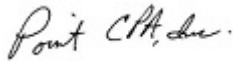
Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2023 on our consideration of City of Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Beach's internal control over financial reporting and compliance.



Bismarck, North Dakota

January 3, 2023 except for the items discussed in Note 12, as to which the date is March 26, 2024.

CITY OF BEACH
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,388,199	\$ 260,682	\$ 1,648,881
Intergovernmental receivable	87,013	-	87,013
Taxes receivable	4,520	-	4,520
Special assessments receivable	-	18,940	18,940
Accounts receivable	-	40,199	40,199
Other receivables	-	8,086	8,086
Restricted cash	-	30,333	30,333
Other assets	4,274	11,831	16,105
Capital assets			
Nondepreciable	161,168	412,202	573,370
Depreciable, net	2,628,672	4,017,983	6,646,655
	<hr/>	<hr/>	<hr/>
Total assets	4,273,846	4,800,256	9,074,102
	<hr/>	<hr/>	<hr/>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB	3,378	6,416	9,794
Pensions	230,676	301,325	532,001
	<hr/>	<hr/>	<hr/>
Total deferred outflows of resources	234,054	307,741	541,795
	<hr/>	<hr/>	<hr/>

See Notes to the Financial Statements

CITY OF BEACH
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2020

LIABILITIES

Accounts payable	10,126	31,817	41,943
Intergovernmental payables	-	30,484	30,484
Interest payable	4,091	8,054	12,145
Other payables	95,453	1,944	97,397
Deferred revenue	4,520	-	4,520
Noncurrent liabilities			
Due within one year			
Capital lease payable	6,270	-	6,270
Note payables	35,522	6,413	41,935
Other noncurrent liabilities	24,488	-	24,488
Due in more than one year			
Compensated absences	21,954	16,390	38,344
Capital lease payable	40,138	-	40,138
Note payables	1,191,776	509,498	1,701,274
Net OPEB liability	6,898	12,872	19,770
Net pension liability	331,302	432,771	764,073
	<u>1,772,538</u>	<u>1,050,243</u>	<u>2,822,781</u>
Total liabilities			

DEFERRED INFLOWS OF RESOURCES

OPEB	1,120	2,292	3,412
Pensions	<u>65,069</u>	<u>84,998</u>	<u>150,067</u>
Total deferred inflows of resources	<u>66,189</u>	<u>87,290</u>	<u>153,479</u>

NET POSITION

Net investment in capital assets	2,081,297	4,430,185	6,511,482
Restricted	-	30,333	30,333
Unrestricted	<u>587,876</u>	<u>(490,054)</u>	<u>97,822</u>
Total net position	<u>\$ 2,669,173</u>	<u>\$ 3,970,464</u>	<u>\$ 6,639,637</u>

See Notes to the Financial Statements

CITY OF BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

		Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services, Fines, and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities	551,799	\$ -	\$ -	\$ -	\$ (551,799)	\$ -	\$ (551,799)
Public safety	124,067	100	-	-	(123,967)	-	(123,967)
Public works	576,890	-	-	217,794	(359,096)	-	(359,096)
Public health	3,650	-	-	-	(3,650)	-	(3,650)
Culture and recreation	32,170	-	-	-	(32,170)	-	(32,170)
Total governmental activities	1,288,576	100	-	217,794	(1,070,682)	-	(1,070,682)
Business-type activities							
Water	455,147	330,256	-	-	-	(124,891)	(124,891)
Sewer	248,236	153,916	-	-	-	(94,320)	(94,320)
Garbage	362,842	152,436	-	-	-	(210,406)	(210,406)
Non-major	25,968	16,480	-	-	-	(9,488)	(9,488)
Total business-type activities	1,092,193	653,088	-	-	-	(439,105)	(439,105)
Total primary government	\$ 2,380,769	\$ 653,188	\$ -	\$ 217,794	(1,070,682)	(439,105)	(1,509,787)
General revenue							
Property taxes					196,903	-	196,903
Special assessments					-	4,024	4,024
City sales tax					131,110	-	131,110
Licenses and permits					5,416	-	5,416
Oil and gas production tax					149,861	-	149,861
State aid and revenues not restricted to specific programs					409,013	-	409,013
Unrestricted interest income					869	-	869
Miscellaneous					93,203	363,782	456,985
Transfers					(16,000)	16,000	-
Total general revenues					970,375	383,806	1,354,181
Change in net position					(100,307)	(55,299)	(155,606)
Net position, beginning of year					2,769,480	4,025,763	6,795,243
Net position, end of year					\$ 2,669,173	\$ 3,970,464	\$ 6,639,637

See Notes to the Financial Statements

CITY OF BEACH
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	City Sales Tax Fund	Highway Distribution Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 624,819	\$ 282,488	\$ 166,208	\$ 229,577	\$ 1,303,092
Intergovernmental receivable	49,253	23,400	14,320	40	87,013
Taxes receivable	4,296	-	-	224	4,520
Other assets	4,274	-	-	-	4,274
Total assets	682,642	305,888	180,528	229,841	1,398,899
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	10,126	-	-	3	10,129
Other payables	-	-	-	10,343	10,343
Total liabilities	10,126	-	-	10,346	20,472
DEFERRED INFLOWS OF RESOURCES					
Unavailable property taxes	4,296	-	-	224	4,520
FUND BALANCES					
Nonspendable	4,274	-	-	-	4,274
Restricted for					
Municipal highway	-	-	180,528	-	180,528
City occupancy	-	-	-	29,971	29,971
Special assessment	-	-	-	48,282	48,282
Emergency	-	-	-	16,784	16,784
Committed for					
Pool sales tax	-	-	-	2,838	2,838
City sales tax	-	305,888	-	-	305,888
Walking/biking path	-	-	-	7,370	7,370
Assigned for					
Capital projects	-	-	-	118,562	118,562
Tri-centennial	-	-	-	2,959	2,959
Unassigned	663,946	-	-	(7,495)	656,451
Total fund balances	668,220	305,888	180,528	219,271	1,373,907
Total liabilities, deferred inflows of resources, and fund balances	\$ 682,642	\$ 305,888	\$ 180,528	\$ 229,841	\$ 1,398,899

See Notes to the Financial Statements

CITY OF BEACH
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2020

Total fund balance, governmental funds	\$ 1,373,907
--	--------------

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

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

Cost of capital assets	4,444,209	
Less accumulated depreciation	<u>(1,654,369)</u>	
Net capital assets		2,789,840

Property taxes and special assessments will
be collected after year-end, but are not
available soon enough to pay for the current
period's expenditures and are reported as
deferred inflows in the governmental funds

4,520

Net pension liability and pension related deferred
outflows and inflows of resources are not due in
the current period and therefore are not
reported in the governmental funds

(165,695)

Net OPEB liability and OPEB related deferred
outflows and inflows of resources are not due in
the current period and therefore are not
reported in the governmental funds

(4,640)

CITY OF BEACH
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2020 – CONTINUED

Noncurrent liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and concurrent, are reported in the Statement of Net Position. Balances at December 31, 2020 are:

Compensated absences	(21,954)	
Interest payable	(4,091)	
Notes payable	(1,227,298)	
Capital lease	(46,408)	
Deferred revenue	(4,520)	
Other noncurrent liabilities	<u>(24,488)</u>	
Total noncurrent liabilities		<u>(1,328,759)</u>

Net position of governmental activities in the Statement of Net Position	<u><u>\$ 2,669,173</u></u>
--	----------------------------

CITY OF BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	City Sales Tax Fund	Highway Distribution Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 121,587	\$ -	\$ -	\$ 75,316	\$ 196,903
Licenses and permits	5,416	-	-	-	5,416
Intergovernmental revenues	535,478	103,471	86,683	27,639	753,271
Fines and forfeitures	100	-	-	-	100
Other income	90,727	-	-	2,478	93,205
Investments and royalty income	682	-	-	187	869
Total revenues	<u>753,990</u>	<u>103,471</u>	<u>86,683</u>	<u>105,620</u>	<u>1,049,764</u>
Expenditures					
Current					
General government	184,719	-	-	-	184,719
Public safety	124,067	-	-	-	124,067
Public works	386,054	63,881	127,261	-	577,196
Public health	3,650	-	-	-	3,650
Culture and recreation	4,892	-	-	27,278	32,170
Community development	-	-	-	12,915	12,915
Debt service					
Principal	-	-	-	45,978	45,978
Interest	-	-	-	23,570	23,570
Capital outlay	<u>63,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,226</u>
Total expenditures	<u>766,608</u>	<u>63,881</u>	<u>127,261</u>	<u>109,741</u>	<u>1,067,491</u>
Excess (deficiency) of revenues over expenditures	<u>(12,618)</u>	<u>39,590</u>	<u>(40,578)</u>	<u>(4,121)</u>	<u>(17,727)</u>
Other financing sources (uses)					
Lease	46,408	-	-	-	46,408
Transfers in	-	-	-	500	500
Transfers out	<u>(16,000)</u>	<u>-</u>	<u>-</u>	<u>(500)</u>	<u>(16,500)</u>
Total other financing sources (uses)	<u>30,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,408</u>
Net change in fund balance	17,790	39,590	(40,578)	(4,121)	12,681
Fund balance, beginning of year	<u>650,430</u>	<u>266,298</u>	<u>221,106</u>	<u>223,392</u>	<u>1,361,226</u>
Fund balance, end of year	<u>\$ 668,220</u>	<u>\$ 305,888</u>	<u>\$ 180,528</u>	<u>\$ 219,271</u>	<u>\$ 1,373,907</u>

See Notes to the Financial Statements

CITY OF BEACH
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Net change in fund balances - total governmental funds	\$	12,681
--	----	--------

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

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		10,935
---	--	--------

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

Capital asset additions	234,003	
Current year depreciation	<u>(218,621)</u>	
		15,382

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of the lease is allocated over the life of the lease and reported as amortization expense		46,408
--	--	--------

Changes to compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		10,861
---	--	--------

Changes to net pension and OPEB liability and pension related and OPEB related deferred outflows and inflows do not require the use of current fiscal resources and therefore are not reported as expenditures in governmental funds.

Change in deferred outflows of resources	(38,792)	
Change in deferred inflows of resources	(207,224)	

CITY OF BEACH

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020 - CONTINUED**

Changes to net pension and OPEB liability and pension related and OPEB related deferred outflows and inflows do not require the use of current fiscal resources and therefore are not reported as expenditures in governmental funds.

Change in deferred outflows of resources	(38,792)	
Change in deferred inflows of resources	(207,224)	
Change in net pension and net OPEB liabilities	<u>11,972</u>	(234,044)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

33,379

Interest payable does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds

4,091

\$ (100,307)

CITY OF BEACH
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 51,778	\$ 73,727	\$ 94,238	\$ 40,939	\$ 260,682
Special assessments receivable	9,470	9,470	-	-	18,940
Accounts receivable	18,091	10,660	11,448	-	40,199
Other receivables	8,086	-	-	-	8,086
Other assets	8,770	-	3,061	-	11,831
Total current assets	<u>96,195</u>	<u>93,857</u>	<u>108,747</u>	<u>40,939</u>	<u>339,738</u>
NONCURRENT ASSETS					
Restricted cash	-	30,333	-	-	30,333
Capital assets					
Nondepreciable	-	216,307	4,910	-	221,217
Depreciable, net	<u>466,522</u>	<u>3,139,585</u>	<u>244,275</u>	<u>358,586</u>	<u>4,208,968</u>
Total non-current assets	<u>466,522</u>	<u>3,386,225</u>	<u>249,185</u>	<u>358,586</u>	<u>4,460,518</u>
Total assets	<u>562,717</u>	<u>3,480,082</u>	<u>357,932</u>	<u>399,525</u>	<u>4,800,256</u>
DEFERRED OUTFLOWS OF RESOURCES					
OPEB	2,326	1,207	2,883	-	6,416
Pension	<u>116,721</u>	<u>65,117</u>	<u>119,487</u>	<u>-</u>	<u>301,325</u>
Total deferred outflows of resources	<u>119,047</u>	<u>66,324</u>	<u>122,370</u>	<u>-</u>	<u>307,741</u>

See Notes to the Financial Statements

CITY OF BEACH
STATEMENT OF NET POSITION – PROPRIETARY FUNDS - CONTINUED
DECEMBER 31, 2020

**LIABILITIES, DEFERRED
INFLOWS OF RESOURCES,
AND FUND BALANCES**

CURRENT LIABILITIES

Accounts payable	11,028	20,790	-	-	31,818
Other payables	32,254	8,054	-	173	40,481
Total current liabilities	43,282	28,844	-	173	72,299

NONCURRENT LIABILITIES

Compensated absences	6,127	3,709	6,554	-	16,390
Notes payable	40,129	475,782	-	-	515,911
Net OPEB liability	4,679	2,435	5,758	-	12,872
Net pension liability	167,638	93,523	171,611	-	432,772
Total noncurrent liabilities	218,573	575,449	183,923	-	977,945
Total liabilities	261,855	604,293	183,923	173	1,050,244

**DEFERRED INFLOWS OF
RESOURCES**

OPEB	822	421	1,048	-	2,291
Pension	32,925	18,368	33,705	-	84,998
Total deferred inflows of resources	33,747	18,789	34,753	-	87,289

NET POSITION

Net investment in capital assets	466,522	3,355,892	249,185	358,586	4,430,185
Restricted	-	30,333	-	-	30,333
Unrestricted	(80,360)	(462,901)	12,441	40,766	(490,054)
Total net position	\$ 386,162	\$ 2,923,324	\$ 261,626	\$ 399,352	\$ 3,970,464

CITY OF BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Revenues					
Charges for services	\$ 330,256	\$ 153,915	\$ 152,436	\$ 16,480	\$ 653,087
Special assessments	2,012	2,012	-	-	4,024
Total operating revenues	<u>332,268</u>	<u>155,927</u>	<u>152,436</u>	<u>16,480</u>	<u>657,111</u>
Expenses					
Personal services	182,864	91,877	188,788	-	463,529
Supplies	24,031	18,455	34,745	1,239	78,470
Purchased services	206,022	22,554	40,850	8,439	277,865
Repairs	33,409	28,440	75,691	2,240	139,780
Depreciation	8,821	63,795	22,767	14,049	109,432
Total operating expenses	<u>455,147</u>	<u>225,121</u>	<u>362,841</u>	<u>25,967</u>	<u>1,069,076</u>
Operating loss	<u>(122,879)</u>	<u>(69,194)</u>	<u>(210,405)</u>	<u>(9,487)</u>	<u>(411,965)</u>
Nonoperating revenues (expenses)					
Interest Expense	-	(23,116)	-	-	(23,116)
Miscellaneous income	170,921	28,265	164,596	-	363,782
Total nonoperating revenues (expenses)	<u>170,921</u>	<u>5,149</u>	<u>164,596</u>	<u>-</u>	<u>340,666</u>
Net income (loss) before transfers	48,042	(64,045)	(45,809)	(9,487)	(71,299)
Transfers	-	-	16,000	-	16,000
Change in net position	<u>48,042</u>	<u>(64,045)</u>	<u>(29,809)</u>	<u>(9,487)</u>	<u>(55,299)</u>
Total net position, beginning of year	338,120	2,987,369	291,435	408,839	4,025,763
Total net position, end of year	<u>\$ 386,162</u>	<u>\$ 2,923,324</u>	<u>\$ 261,626</u>	<u>\$ 399,352</u>	<u>\$ 3,970,464</u>

See Notes to the Financial Statements

CITY OF BEACH
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water	Sewer	Garbage	Nonmajor Enterprise Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 363,631	\$ 154,802	\$ 152,322	\$ 16,480	\$ 687,235
Other receipts	2,012	2,012	-	99	4,123
Payments to suppliers	(252,534)	(63,847)	(151,286)	(11,794)	(479,461)
Payments to employees	(159,050)	(75,586)	(172,998)	-	(407,634)
Net cash provided by (used for) operating activities	(45,941)	17,381	(171,962)	4,785	(195,737)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Miscellaneous income	170,670	5,410	113,889	-	289,969
Proceeds from issuance of bond debt	40,129	-	-	-	40,129
Payments on bond debt	-	(6,219)	-	-	(6,219)
Capital asset purchases	(190,985)	-	-	-	(190,985)
Net cash provided by (used by) capital and related financing activities	19,814	(809)	113,889	-	132,894
NET CHANGE IN CASH AND CASH EQUIVALENTS	(26,127)	16,572	(58,073)	4,785	(62,843)
CASH AND CASH EQUIVALENTS, beginning of year	77,905	87,488	85,865	36,154	287,412
CASH AND CASH EQUIVALENTS, end of year	\$ 51,778	\$ 104,060	\$ 27,792	\$ 40,939	\$ 224,569
Reconciliation of cash and cash equivalents					
Cash	\$ 51,778	\$ 73,727	\$ 94,238	\$ 40,939	\$ 260,682
Restricted cash	-	30,333	-	-	30,333
Total cash and cash equivalents	\$ 51,778	\$ 104,060	\$ 94,238	\$ 40,939	\$ 291,015
Reconciliation of operating loss to net cash provided by operating activities					
Operating loss	\$ (122,879)	\$ (69,194)	\$ (210,405)	\$ (9,487)	\$ (411,965)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities					
Depreciation expense	8,821	63,795	22,767	14,049	109,432
Effects on cash flows due to changes in					
Accounts receivable	2,891	887	(114)	-	3,664
Deferred outflows	(57,849)	(34,538)	(46,698)	-	(139,085)
Accounts payable	41,411	5,602	-	223	47,236
Deferred inflows	(13,511)	(5,756)	(23,682)	-	(42,949)
Net pension and OPEB liabilities	95,175	56,585	86,170	-	237,930
Net cash provided by (used in) operating activities	\$ (45,941)	\$ 17,381	\$ (171,962)	\$ 4,785	\$ (195,737)

See Notes to the Financial Statements

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

Measurement Focus and Basis of Accounting

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

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

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

Property taxes, licenses, special assessments, grants, oil and gas production tax and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Government-Wide Financial Statements

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

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

Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Fund Financial Statements

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

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

Financial Statement Presentation

The City reports the following major governmental funds:

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

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

Highway Distribution – This fund is used for infrastructure.

The City reports the following major enterprise funds:

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

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

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

Budgets and Budgetary Accounting

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10 except as provided by North Dakota Century Code, the balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

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

Cash and Cash Equivalents

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

Restricted Cash

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, curbs, etc.), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the City's fiscal year. Improvements that significantly extend the useful life of the asset are also capitalized. Donated capital assets are recorded at acquisition value. The City chose not to retroactively report infrastructure in accordance with Phase III implementation of GASB Statement No. 34. The City's infrastructure consists of curbs, sidewalks, and streets constructed after 2003.

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

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

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

The City reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020.

Compensated Absences

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

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB 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.

Pensions

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

Deferred Outflows and Inflows of Resources

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Long-Term Debt

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

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements. The long-term debt consists primarily of bonds payable. Bond premiums and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds are reported as debt service expenditures.

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

Net Position and Fund Balance

The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is “net position” on government-wide, proprietary and fiduciary financial statements and “fund balance” on the governmental fund financial statements.

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

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

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first unless legal requirements disallow it. When committed, assigned, and unassigned funds are available for expenditures, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts unless the governing board has provided otherwise in its commitment or assignment actions.

Internal and Interfund Balances and Activities

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

Property Taxes

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

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

Abatements

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. As of December 31, 2020, the City of Beach has one property with a tax abatement that runs through 2023. The abatement is granted under North Dakota Century Code 40-57-1-03, Tax Incentives for New or Expanding Businesses.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Use of Estimates

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

Note 2 - Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's cash and cash equivalents. These amounts must be deposited in a financial institution situated and doing business within this State. The City has no formal investment policy.

Custodial Credit Risk

This is the risk that, in the event a financial institution fails, a government is unable to recover the value of its deposits, investments, or collateralized securities in the possession of the institution. The City does not have a formal policy regarding deposits. In accordance with state statutes, the fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds.

At year end December 31, 2020, the City's carrying amount of deposits was \$1,594,107 and the bank balance was \$1,670,349. Of the bank balances \$548,158, was covered by Federal Depository Insurance or coverage substantially the same as that provided by federal deposit insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

Note 3 - Accounts Receivable

Accounts receivable consists of billings for December and accounts delinquent at December 31, 2020.

Note 4 - Intergovernmental Receivable

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 5 - Capital Assets

Capital asset activity for the year ended December 31, 2020 is as follows:

Governmental Activities	Balance 1/1/20	Additions	Transfers	Reductions	Balance 12/31/20
Capital assets not being depreciated					
Land	\$ 161,168	\$ -	\$ -	\$ -	\$ 161,168
Total capital assets not being depreciated	161,168	-	-	-	161,168
Capital assets being depreciated					
Buildings and infrastructure	665,550	-	-	-	665,550
Machinery and equipment	1,089,613	62,329	-	-	1,151,942
Improvements other than buildings	2,293,875	171,674	-	-	2,465,549
Total capital assets being depreciated	4,049,038	234,003	-	-	4,283,041
Less accumulated depreciation					
Buildings and infrastructure	428,172	14,547	-	-	442,719
Machinery and equipment	568,842	72,503	-	-	641,345
Improvements other than buildings	438,734	131,571	-	-	570,305
Total accumulated depreciation	1,435,748	218,621	-	-	1,654,369
Total capital assets being depreciated	2,613,290	15,382	-	-	2,628,672
Governmental capital assets, net	\$ 2,774,458	\$ 15,382	\$ -	\$ -	\$ 2,789,840

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

Public safety	11,900
Public works	137,038
Social and economic services	57,093
Total depreciation expense	<u>\$ 218,621</u>

CITY OF BEACH

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020**

Business-Type Activities	Balance 1/1/20	Additions	Transfers	Reductions	Balance 12/31/20
Capital assets not being depreciated					
Land	\$ 221,217	\$ -	\$ -	\$ -	\$ 221,217
Construction in progress	887,253	190,985	(887,253)	-	190,985
Total capital assets not being depreciated	1,108,470	190,985	(887,253)	-	412,202
Capital assets being depreciated					
Buildings and infrastructure	854,820	-	-	-	854,820
Machinery and equipment	287,412	-	-	-	287,412
Infrastructure	2,777,648	-	-	-	2,777,648
Other capital assets	211,049	-	887,253	-	1,098,302
Total capital assets being depreciated	4,130,929	-	887,253	-	5,018,182
Less accumulated depreciation					
Buildings and infrastructure	405,179	18,206	-	-	423,385
Machinery and equipment	72,600	20,097	-	-	92,697
Infrastructure	381,633	45,876	-	-	427,509
Other capital assets	31,355	25,253	-	-	56,608
Total accumulated depreciation	890,767	109,432	-	-	1,000,199
Total capital assets being depreciated	3,240,162	(109,432)	887,253	-	4,017,983
Business-type capital assets, net	<u>\$ 4,348,632</u>	<u>\$ 81,553</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,430,185</u>

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

Sewer	63,795
Garbage	22,767
Other	14,049
Total depreciation expense	<u>\$ 109,432</u>

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 6 - Transfers

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

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

The following is a list of transfers for the year ending December 31, 2020:

Fund	Transfers In	Transfers Out
Governmental funds		
General fund	\$ -	\$ 16,000
Nonmajor governmental funds	500	500
Enterprise funds	16,000	-
	<u>16,000</u>	<u>-</u>
Total transfers	<u>\$ 16,500</u>	<u>\$ 16,500</u>

The transfers in and out during 2020 were budgeted transfers.

Note 7 - Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2020:

Governmental Activities	Balance 1/1/20	Additions	Reductions	Balance 12/31/20	Due Within One Year
Compensated absences	\$ 11,093	\$ 13,431	\$ 2,570	\$ 21,954	\$ -
General obligation loan	1,260,677	-	33,379	1,227,298	35,522
Total	<u>\$ 1,271,770</u>	<u>\$ 13,431</u>	<u>\$ 35,949</u>	<u>\$ 1,249,252</u>	<u>\$ 35,522</u>
Business-Type Activities	Balance 1/1/20	Additions	Reductions	Balance 12/31/20	Due Within One Year
Compensated absences	\$ 15,358	\$ 1,032	\$ -	\$ 16,390	\$ 16,390
Sewer revenue bonds	482,000	-	6,218	475,782	6,413
Water revenue bonds	-	160,501	120,372	40,129	-
Total	<u>\$ 497,358</u>	<u>\$ 161,533</u>	<u>\$ 126,590</u>	<u>\$ 532,301</u>	<u>\$ 22,803</u>

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Outstanding debt at December 31, 2020 (excluding compensated absences) consisted of the following issues:

General Obligation Loan

\$1,296,256 draw from a general Obligation Loan with a maximum amount of \$3,888,000; due in semi-annual installments of \$29,946 through May 2047; interest at 2% paid semi-annually; secured by special assessments on the Street Improvement District No. 2016-2. \$ 1,227,298

Total General Obligation Loan \$ 1,227,298

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

Business-Type Activities

\$482,000 Sewer Revenue Bonds, Series 2019; due in annual installments of \$21,281 through May 2059; interest at 3.125% paid annually; liquidated with revenues generated for services provided out of the sewer fund. \$ 475,782

Water Revenue Bonds, Series 2020; Original bond amount was \$160,501. In 2020 \$120,372 of the debt was forgiven. Advances of \$327,658 will be taken in fiscal year 2021. In fiscal year 2022 interest payments will begin on March 1 and principal and interest payments will begin on September 1 with an interest rate of 1.5%. Annual principal amounts will be paid in the following schedule, \$9,787 in 2022; \$9,000 from 2023 to 2024; \$10,000 from 2025 to 2029; \$11,000 from 2030 to 2033; \$12,000 from 2034 to 2038; 13,000 from 2039 to 2042; \$14,000 from 2043 to 2045; \$15,000 from 2046 to 2049; and \$16,000 from 2050 to 2051. 40,129

Total business-type activities bonds \$ 515,911

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

The annual maturity of long-term debt of the City, except compensated absences payable, as of December 31, 2020 is as follows:

Year Ended December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	35,522	24,369	59,891	6,413	15,995	22,408
2022	36,236	23,655	59,891	16,400	20,178	36,578
2023	36,964	22,927	59,891	15,820	19,831	35,651
2024	37,707	22,184	59,891	16,033	19,483	35,516
2025-2029	200,214	99,242	299,455	87,602	92,538	180,140
2030-2034	221,160	78,295	299,455	99,023	82,292	181,315
2035-2039	244,299	55,157	299,455	112,511	70,544	183,055
2040-2044	269,858	29,598	299,455	127,245	57,160	184,405
2045-2049	145,338	4,389	149,727	144,432	41,828	186,260
2050-2054	-	-	-	130,313	24,517	154,830
2055-2059	-	-	-	96,775	9,235	106,010

Note 8 – Capital Lease Obligations

The City entered into a capital lease for a Case-IH Farmall 120C for \$56,900 on May 19, 2020. The lease calls for annual payments of \$6,878 with interest incurring at 1.31% annually. Interest paid on capital leases as of December 31, 2020 was \$-0-. Accumulated amortization of assets under the capital lease for December 31, 2020 totaled \$3,023.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments for the years ending December 31:

2021	\$ 6,878
2022	6,878
2023	6,878
2024	6,878
2025	6,878
Thereafter	<u>14,510</u>
Total minimum lease payments	48,900
Less: amount representing interest	<u>2,492</u>
Present value of net minimum lease payments	46,408
Less: current maturities of capital lease obligations	<u>6,270</u>
Long-term capital lease obligations	<u><u>\$ 40,138</u></u>

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 9 - Fund Balance

At December 31, 2020, the governmental fund balance classifications are as follows:

	General Fund	City Sales Tax Fund	Highway Distribution Fund	Nonmajor Governmental Funds	Total
Nonspendable	\$ 4,274	\$ -	\$ -	\$ -	\$ 4,274
Restricted for					
Municipal highway	-	-	180,528	-	180,528
City occupancy	-	-	-	29,971	29,971
Special assessment	-	-	-	48,282	48,282
Emergency	-	-	-	16,784	16,784
Committed for					
Pool sales tax	-	-	-	2,838	2,838
City sales tax	-	305,888	-	-	305,888
Walking/biking path	-	-	-	7,370	7,370
Assigned for					
Capital projects	-	-	-	118,562	118,562
Tri-centennial	-	-	-	2,959	2,959
Unassigned	663,946	-	-	(7,495)	656,451
	<u>\$ 668,220</u>	<u>\$ 305,888</u>	<u>\$ 180,528</u>	<u>\$ 219,271</u>	<u>\$ 1,373,907</u>

Note 10 – OPEB Plan

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

OPEB Benefits

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

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

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

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

At December 31, 2020, the Employer reported a liability of \$19,770 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the Employer's proportion was 0.023502 percent, which was an decrease of 0.000370 percent from its proportion measured as of June 30, 2019.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

For the year ended December 31, 2020, the Employer recognized OPEB expense of \$3,362. At December 31, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 438	\$ 474
Changes of assumptions	2,651	-
Net difference between projected and actual earnings on OPEB plan investments	680	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,015	2,938
Employer contributions subsequent to the measurement date (see below)	<u>340</u>	<u>-</u>
Total	<u>\$ 10,124</u>	<u>\$ 3,412</u>

\$340 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

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

Year ended December 31:	
2021	\$ 1,153
2022	1,329
2023	1,297
2024	1,098
2025	1,214
Thereafter	281

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Actuarial assumptions. The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap domestic equities	33%	6.10%
Small cap domestic equities	6%	7.00%
Domestic fixed income	40%	1.15%
International equities	21%	6.45%

Discount rate. The discount rate used to measure the total OPEB liability was 6.50%. 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.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease 5.50%	Current Discount 6.50%	1% Increase 7.50%
Employer's proportionate share of the net OPEB liability	\$ 25,929	\$ 19,770	\$ 14,562

Note 11 – Pension Plan

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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 BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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

At December 31, 2020, the Employer reported a liability of \$764,074 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the Employer's proportion was 0.024287 percent, which was an decrease of 0.001322 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Employer recognized pension expense of \$155,526. At December 31, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,974	\$ 38,716
Changes of assumptions	409,592	67,716
Net difference between projected and actual earnings on pension plan investments	24,660	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	94,775	43,636
Employer contributions subsequent to the measurement date (see below)	16,655	-
Total	<u>\$ 548,656</u>	<u>\$ 150,068</u>

\$16,655 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Year ended December 31:

2021	\$ 111,836
2022	97,744
2023	89,539
2024	82,814
2025	-
Thereafter	-

Actuarial assumptions. The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30%	6.30%
International equity	21%	6.85%
Private equity	7%	9.75%
Domestic fixed income	23%	1.25%
International fixed income	0%	0.00%
Global real assets	19%	5.01%
Cash equivalents	0%	0.00%

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

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 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease 3.64%	Current Discount 4.64%	1% Increase 5.64%
Employer's proportionate share of the net pension liability	\$ 991,329	\$ 764,074	\$ 578,124

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

Note 12 – Report Date

The original financial statements were corrected for a journal entry effecting net position, a clerical error on the Statement of Cashflows and providing more detail of fund balance on the face of the Governmental Funds Balance Sheet.

Note 13 -- Subsequent Events

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

CITY OF BEACH

**REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

CITY OF BEACH
SCHEDULE OF THE EMPLOYER'S SHARE OF NET OPEB LIABILITY
AND EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Employer's proportion of the net OPEB liability (asset)	0.011424%	0.023872%	0.023502%
Employer's proportionate share of the net OPEB liability (asset)	8,997	19,174	19,770
Employer's covered-employee payroll	125,006	266,375	267,917
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.20%	7.20%	7.38%
Plan fiduciary net position as a percentage of the total OPEB liability	61.89%	63.13%	63.38%

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Statutorily required contribution	1,466	3,098	3,147
Contributions in relation to the statutory required contribution	(2,220)	(2,298)	(3,300)
Contribution deficiency (excess)	754	800	(153)
Employer's covered-employee payroll	125,006	266,375	267,917
Contributions as a percentage of covered-employee payroll	1.78%	0.86%	1.23%

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

CITY OF BEACH
SCHEDULE OF THE EMPLOYER'S SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	0.019326%	0.020053%	0.019823%	0.025609%	0.024287%
Employer's proportionate share of the net pension liability (asset)	131,414	195,436	318,621	300,156	764,074
Employer's covered-employee payroll	172,167	202,084	202,365	266,375	267,917
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.33%	96.71%	157.45%	112.68%	285.19%
Plan fiduciary net position as a percentage of the total pension liability	77.15%	93.62%	152.96%	71.66%	48.91%

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

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

	2016	2017	2018	2019	2020
Statutorily required contribution	13,078	14,631	14,674	19,394	18,971
Contributions in relation to the statutory required contribution	(12,258)	15,231	14,482	(14,350)	(20,611)
Contribution deficiency (excess)	820	(600)	192	5,044	(1,640)
Employer's covered-employee payroll	172,167	202,084	202,365	266,375	267,917
Contributions as a percentage of covered-employee payroll	7.60%	7.54%	7.16%	5.39%	7.69%

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

CITY OF BEACH

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – COMPARISON OF BUDGET AND ACTUAL – GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 125,310	\$ 125,310	\$ 121,587	\$ (3,723)
Licenses and permits	14,825	14,825	5,416	(9,409)
Special assessments	-	-	-	-
Intergovernmental revenues	551,425	551,425	535,478	(15,947)
Charges for services	-	-	-	-
Fines and forfeitures	100	100	100	-
Other income	9,000	9,000	90,727	81,727
Investment and royalty earnings	2,000	2,000	682	(1,318)
Total revenues	702,660	702,660	753,990	51,330
Expenditures				
General government	195,785	195,785	184,719	(11,066)
Public safety	121,585	121,585	124,067	2,482
Public works	364,090	364,090	386,054	21,964
Public health	4,000	4,000	3,650	(350)
Culture and recreation	5,000	5,000	4,892	(108)
Community development	-	-	-	-
Debt service	-	-	-	-
Capital outlay	9,200	9,200	63,226	54,026
Total expenditures	699,660	699,660	766,608	66,948
Excess (deficiency) of revenues over expenditures	3,000	3,000	(12,618)	(15,618)
Other financing sources (uses)				
Sale of assets	-	-	46,408	46,408
Other income / expenses	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(19,000)	(19,000)	(16,000)	3,000
Total other financing sources and uses	(19,000)	(19,000)	30,408	49,408
Net change in fund balance	<u>\$ (16,000)</u>	<u>\$ (16,000)</u>	17,790	<u>\$ 33,790</u>
Fund balance - beginning			650,430	
Fund balance - ending			<u>\$ 668,220</u>	

CITY OF BEACH
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
COMPARISON OF BUDGET TO ACTUAL – CITY SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental revenues	76,800	76,800	103,471	26,671
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other income	-	-	-	-
Investment and royalty earnings	-	-	-	-
Total revenues	76,800	76,800	103,471	26,671
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	63,881	63,881
Public health	-	-	-	-
Culture and recreation	-	-	-	-
Community development	-	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	63,881	63,881
Excess (deficiency) of revenues over expenditures	76,800	76,800	39,590	(37,210)
Other financing sources (uses)				
Sale of assets	-	-	-	-
Other income / expenses	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(10,000)	(10,000)	-	10,000
Total other financing sources and uses	(10,000)	(10,000)	-	10,000
Net change in fund balance	<u>\$ 66,800</u>	<u>\$ 66,800</u>	39,590	<u>\$ (27,210)</u>
Fund balance - beginning			<u>266,298</u>	
Fund balance - ending			<u>\$ 305,888</u>	

CITY OF BEACH

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
COMPARISON OF BUDGET AND ACTUAL – HIGHWAY DISTRIBUTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental revenues	82,000	82,000	86,683	4,683
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Other income	-	-	-	-
Investment and royalty earnings	-	-	-	-
Total revenues	82,000	82,000	86,683	4,683
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	120,000	127,261	7,261
Public health	-	-	-	-
Culture and recreation	-	-	-	-
Community development	-	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	120,000	127,261	7,261
Excess (deficiency) of revenues over expenditures	82,000	(38,000)	(40,578)	(2,578)
Other financing sources (uses)				
Sale of assets	-	-	-	-
Other income / expenses	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(10,000)	(10,000)	-	10,000
Total other financing sources and uses	(10,000)	(10,000)	-	10,000
Net change in fund balance	\$ 72,000	\$ (48,000)	(40,578)	\$ 7,422
Fund balance - beginning			221,106	
Fund balance - ending			\$ 180,528	

CITY OF BEACH
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 – OPEB:

Changes of benefit terms: Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

Note 2 - Pension:

Changes of benefit terms: The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.50% to 7.00%
- The assumed rate of price inflation was lowered from 2.50 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.



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

Independent Auditor's Report

The City Council
City of Beach

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Beach as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise City of Beach's basic financial statements, and have issued our report thereon dated January 3, 2023.

Internal Control over Financial Reporting

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

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be a material weakness.

Compliance and Other Matters

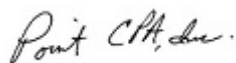
As part of obtaining reasonable assurance about whether City of Beach's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items.

City of Beach's Response to Findings

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

Purpose of this Report

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



Bismarck, ND
January 3, 2023

CITY OF BEACH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

2020-001 Preparation of Annual GAAP Financial Statements
Material Weakness in Internal Control over Financial Reporting

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

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

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

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

Recommendation – The City Council should keep this weakness in mind and continue fulfill its governance responsibilities by closely monitoring financial activity.

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

2020-002 Segregation of Duties
Significant Deficiency in Internal Control over Financial Reporting

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

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

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

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

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

CITY OF BEACH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020

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