

**CITY OF BEULAH
BEULAH, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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CITY OF BEULAH, NORTH DAKOTA

CITY OFFICIALS

Mayor	Travis Frey
City Council	Sean Cheatley David Czywczynski Eric Hoffer Jason Isaak Kathy Kelsch Ben Lenzen Gary Miller David Ripplinger
City Auditor	Heather Ferebee

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Beulah, North Dakota

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units (except the Housing Authority and the Convention and Visitor's Bureau), each major fund, and the aggregate remaining fund information of the City of Beulah, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units.

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

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Disclaimer
General Fund	Unmodified
Municipal Infrastructure Fund	Unmodified
Water Fund	Unmodified
Garbage Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

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

The financial statements of the Beulah Housing Authority and Beulah Convention and Visitors Bureau, component units of the City, have not been audited, and we were not engaged to audit the Beulah Housing Authority’s or Beulah Convention and Visitors Bureau’s financials as a part of our audit of the City’s basic financial statements. The Beulah Housing Authority’s and Beulah Convention and Visitors Bureau’s financial activities are included in the City’s basic financial statements as discretely presented component units and represent 19 percent, 3 percent, and 43 percent of the assets, net position, and revenues, respectively, of the City’s aggregate discretely presented component units.

Disclaimer of Opinion

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Beulah, North Dakota, as of December 31, 2020, and, the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

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

Other Matters

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2021, on our consideration of the City of Beulah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Beulah's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Beulah's internal controls over financial reporting and compliance.



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

June 7, 2021

CITY OF BEULAH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2020

	Primary Government		Component Units
	Governmental Activities	Business-type Activities	
			Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 4,376,326	\$ 1,059,777	\$ 5,436,103
Interfund balances	736,219	(736,219)	-
Total current assets	5,112,545	323,558	5,436,103
Non-current assets:			
Construction in progress	88,756	-	88,756
Land	-	-	-
Capital assets, net of accumulated depreciation	15,602,539	11,967,801	27,570,340
Total non-current assets	15,691,295	11,967,801	27,659,096
Total assets	20,803,840	12,291,359	33,095,199
<u>LIABILITIES</u>			
Current liabilities:			
Customer deposits held	-	14,759	14,759
Current portion of interest buydown payable	-	-	-
Current portion of long-term debt	777,582	-	777,582
Total current liabilities	777,582	14,759	792,341
Non-current liabilities:			
Interest buydown payable	-	-	-
Non-current portion of long-term debt	4,681,597	-	4,681,597
Total non-current liabilities	4,681,597	-	4,681,597
Total liabilities	5,459,179	14,759	5,473,938
<u>NET POSITION</u>			
Net investment in capital assets	10,232,116	11,967,801	22,199,917
Restricted for:			
City Improvements	1,181,130	-	1,181,130
Roads	324,741	-	324,741
Retirement	13,726	-	13,726
Library	82,462	-	82,462
Emergency	106,353	-	106,353
Cemetery	83,886	-	83,886
Swimming Pool	92,454	-	92,454
Unrestricted	3,227,793	308,799	3,536,592
Total net position	\$ 15,344,661	\$ 12,276,600	\$ 27,621,261
			\$ 1,779,678

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 976,587	\$ 49,822	\$ 367,999	\$ 4,519	\$ (554,247)	\$ -	\$ (554,247)	
Public safety	642,316	22,801	1,391	-	(618,124)	-	(618,124)	
Highways and streets	1,742,737	-	-	500,000	(1,242,737)	-	(1,242,737)	
Culture and recreation	284,600	61,914	14,232	-	(208,454)	-	(208,454)	
Health and welfare	10,750	-	-	-	(10,750)	-	(10,750)	
Economic development	134,983	-	-	-	(134,983)	-	(134,983)	
Loss on disposal of fixed assets	26,201	-	-	-	(26,201)	-	(26,201)	
Interest on long-term debt	148,991	-	-	-	(148,991)	-	(148,991)	
Total governmental activities	<u>3,967,165</u>	<u>134,537</u>	<u>383,622</u>	<u>504,519</u>	<u>(2,944,487)</u>	<u>-</u>	<u>(2,944,487)</u>	
Business-type activities:								
Water	978,446	761,394	-	-	-	(217,052)	(217,052)	
Sewer	249,757	254,168	-	-	-	4,411	4,411	
Garbage	449,348	413,357	-	-	-	(35,991)	(35,991)	
Water meter	4,558	52,049	-	-	-	47,491	47,491	
Water equipment reserve	10,108	-	-	-	-	(10,108)	(10,108)	
Garbage equipment reserve	11,063	55,301	-	-	-	44,238	44,238	
Total business-type activities	<u>1,703,280</u>	<u>1,536,269</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167,011)</u>	<u>(167,011)</u>	
Total primary government	<u>5,670,445</u>	<u>1,670,806</u>	<u>383,622</u>	<u>504,519</u>	<u>(2,944,487)</u>	<u>(167,011)</u>	<u>(3,111,498)</u>	
Component units	<u>\$ 505,625</u>	<u>\$ 130,768</u>	<u>\$ 34,315</u>	<u>\$ -</u>				<u>\$ (340,542)</u>

General revenues:

Taxes:				
Property taxes, levied for general purposes	389,449	-	389,449	38,790
Property taxes, levied for special purposes	543,488	-	543,488	135,312
Sales taxes	482,720	-	482,720	-
State aid distribution	150,583	-	150,583	17,001
Municipal highway tax	165,989	-	165,989	-
County road and bridge tax	13,713	-	13,713	-
Coal conversion tax	251,693	-	251,693	-
Coal severance tax	586,027	-	586,027	-
Cigarette tax	8,221	-	8,221	-
Investment earnings	13,933	-	13,933	763
Transfers	487,753	(487,753)	-	-
Miscellaneous	177,641	-	177,641	26,220
Total general revenues and transfers	<u>3,271,210</u>	<u>(487,753)</u>	<u>2,783,457</u>	<u>218,086</u>
Change in net position	326,723	(654,764)	(328,041)	(122,456)
Net position - beginning of year, as originally stated	15,017,938	12,931,364	27,949,302	1,936,951
Prior period adjustment - see Note 15	-	-	-	(34,817)
Net position - beginning of year, as restated	<u>15,017,938</u>	<u>12,931,364</u>	<u>27,949,302</u>	<u>1,902,134</u>
Net position - end of year	<u>\$ 15,344,661</u>	<u>\$ 12,276,600</u>	<u>\$27,621,261</u>	<u>\$1,779,678</u>

See Notes to the Financial Statements

CITY OF BEULAH
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Municipal Infrastructure Fund	Non-major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,491,574	\$ 500,000	\$ 1,384,752	\$ 4,376,326
Due from other funds	736,219	-	-	736,219
Total assets	<u>\$ 3,227,793</u>	<u>\$ 500,000</u>	<u>\$ 1,384,752</u>	<u>\$ 5,112,545</u>
<u>FUND BALANCES</u>				
Restricted	\$ -	\$ 500,000	\$ 1,384,752	\$ 1,884,752
Unassigned	3,227,793	-	-	3,227,793
Total fund balances	<u>\$ 3,227,793</u>	<u>\$ 500,000</u>	<u>\$ 1,384,752</u>	<u>\$ 5,112,545</u>

See Notes to the Financial Statements

CITY OF BEULAH
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION -
MODIFIED CASH BASIS
DECEMBER 31, 2020

Total Governmental Funds Balance	\$ 5,112,545
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	15,691,295
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(5,459,179)</u>
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Net Position of Governmental Activities	<u><u>\$15,344,661</u></u>
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See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Municipal Infrastructure Fund	Non-major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Taxes	\$ 393,968	\$ -	\$ 543,488	\$ 937,456
License and permits	19,955	-	-	19,955
Intergovernmental	1,011,630	500,000	662,941	2,174,571
Charges for services	29,867	-	61,638	91,505
Fines and forfeitures	22,801	-	276	23,077
Interest	13,933	-	-	13,933
COVID relief funding	367,999	-	-	367,999
Miscellaneous	100,293	-	77,348	177,641
Total revenues	1,960,446	500,000	1,345,691	3,806,137
<u>EXPENDITURES</u>				
Current:				
General government	764,216	-	212,371	976,587
Public safety	642,316	-	-	642,316
Highways and streets	356,854	-	366,351	723,205
Culture and recreation	5,630	-	278,970	284,600
Health and welfare	5,200	-	5,550	10,750
Economic development	92,369	-	42,614	134,983
Debt Service:				
Principal retirement	-	-	739,008	739,008
Interest and fiscal charges	-	-	142,661	142,661
Capital outlays	128,680	-	595,463	724,143
Total expenditures	1,995,265	-	2,382,988	4,378,253
Excess (deficiency) of revenues over (under) expenditures	(34,819)	500,000	(1,037,297)	(572,116)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	286,706	-	709,292	995,998
Transfers out	(137,976)	-	(370,269)	(508,245)
Proceeds from capital lease	109,503	-	-	109,503
Proceeds from issuance of debt	-	-	67,083	67,083
Total other financing sources and uses	258,233	-	406,106	664,339
Net change in fund balances	223,414	500,000	(631,191)	92,223
Fund balance - beginning of year	3,004,379	-	2,015,943	5,020,322
Fund balances - end of year	\$ 3,227,793	\$ 500,000	\$ 1,384,752	\$ 5,112,545

See Notes to the Financial Statements

CITY OF BEULAH
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balance - Governmental Funds \$ 92,223

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

Capital outlay	724,143	
Depreciation expense	<u>(1,019,532)</u>	
Excess of capital outlay over depreciation expense		(295,389)

The loss on the sale of capital assets is a decrease in net position. (26,201)

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. (176,586)

Government wide statements amortize discount on bonds payable over the life of the debt, while governmental funds recognize bond proceeds at issuance amount. (6,330)

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

Note payable	51,641	
Bonds payable	576,338	
Capital lease	<u>111,027</u>	
Total long-term debt repayment		<u>739,006</u>

Change in Net Position \$ 326,723

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Enterprise Funds			
	Water Fund	Garbage Fund	Non-major Enterprise Funds	Total Enterprise Funds
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 628,871	\$ 5,366	\$ 425,540	\$ 1,059,777
Capital assets:				
Infrastructure	11,886,979	727,732	964,267	13,578,978
Equipment	65,050	550,604	186,771	802,425
Less: Accumulated depreciation	(1,636,505)	(569,399)	(207,698)	(2,413,602)
Total capital assets	10,315,524	708,937	943,340	11,967,801
Total assets	10,944,395	714,303	1,368,880	13,027,578
<u>LIABILITIES</u>				
Current liabilities:				
Due to other funds	-	736,219	-	736,219
Customer deposits held	14,759	-	-	14,759
Total liabilities	14,759	736,219	-	750,978
<u>NET POSITION</u>				
Net investment in capital assets	10,315,524	708,937	943,340	11,967,801
Unrestricted	614,112	(730,853)	425,540	308,799
Total net position	\$ 10,929,636	\$ (21,916)	\$ 1,368,880	\$ 12,276,600

See Notes to the Financial Statements

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

	Enterprise Funds			
	Water Fund	Garbage Fund	Non-major Enterprise Funds	Total Enterprise Funds
<u>OPERATING REVENUES</u>				
Charges for services	\$ 761,394	\$ 415,134	\$ 361,240	\$ 1,537,768
Miscellaneous	-	-	278	278
Total operating revenues	761,394	415,134	361,518	1,538,046
<u>OPERATING EXPENSES</u>				
Salaries and employee benefits	307,110	188,177	36,818	532,105
General maintenance and supplies	127,416	111,427	135,060	373,903
Chemicals and additives	56,928	-	21,960	78,888
Utilities	73,639	2,431	36,056	112,126
Fuel and vehicles	5,320	18,181	402	23,903
Depreciation	408,033	129,132	45,190	582,355
Total operating expenses	978,446	449,348	275,486	1,703,280
Operating income (loss)	(217,052)	(34,214)	86,032	(165,234)
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest	-	(1,777)	-	(1,777)
Income (loss) before contributions and transfers	(217,052)	(35,991)	86,032	(167,011)
Transfers in	-	54,969	40,000	94,969
Transfers out	(300,416)	(83,367)	(198,939)	(582,722)
Change in net position	(517,468)	(64,389)	(72,907)	(654,764)
Net position - beginning of year	11,447,104	42,473	1,441,787	12,931,364
Net position - end of year	\$ 10,929,636	\$ (21,916)	\$ 1,368,880	\$ 12,276,600

See Notes to the Financial Statements

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

	Enterprise Funds			
	Water	Garbage	Non-major enterprise funds	Total
Cash flows from operating activities:				
Receipts from customers	\$ 761,394	\$ 415,134	\$ 361,240	\$ 1,537,768
Receipts from others	-	-	278	278
Payments to suppliers	(263,303)	(132,039)	(193,478)	(588,820)
Payments to employees	(307,110)	(188,177)	(36,818)	(532,105)
Net cash provided (used) by operating activities	190,981	94,918	131,222	417,121
Cash flows from noncapital and related financing activities:				
Increase (decrease) in customer deposits	1,344	-	-	1,344
Transfers in (out)	(300,416)	(28,398)	(158,939)	(487,753)
Net cash provided (used) by noncapital and related financing activities	(299,072)	(78,398)	(158,939)	(536,409)
Cash flows from capital and related financing activities:				
Purchase of property and equipment	(56,347)	-	(102,528)	(158,875)
Payment on capital lease obligations	-	(53,192)	-	(53,192)
Interest paid on capital lease obligations	-	(1,777)	-	(1,777)
Net cash provided (used) by capital and related financing activities	(56,347)	(54,969)	(102,528)	(213,844)
Net change in cash and cash equivalents	(164,438)	(38,449)	(130,245)	(333,132)
Cash and cash equivalents - January 1	793,309	43,815	555,785	1,392,909
Cash and cash equivalents - December 31	\$ 628,871	\$ 5,366	\$ 425,540	\$ 1,059,777
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (217,052)	\$ (34,214)	\$ 86,032	\$ (165,234)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	408,033	129,132	45,190	582,355
Net cash provided (used) by operating activities	\$ 190,981	\$ 94,918	\$ 131,222	\$ 417,121

See Notes to the Financial Statements

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DESCRIPTION OF THE CITY

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Financial Reporting Entity

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

Complete financial statements for the Airport Authority and Job Development Authority may be obtained at the City's administrative office. These component units were audited by Brady, Martz and Associates, P.C., for the year ended December 31, 2020, and separate reports were issued.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

Fund Accounting

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Governmental Funds

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

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

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

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

Major Funds

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

Governmental

General fund as described above.

Municipal Infrastructure fund, a special revenue fund, is used to account for state distribution revenues to be used for city improvement expenditures.

Proprietary

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

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

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

Measurement Focus and Basis of Accounting

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Measurement Focus

Government-wide financial statements

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

Fund financial statements

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

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

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

Basis of Accounting

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budgets and Budgetary Accounting

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

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

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

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

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

Cash and Cash Equivalents

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

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

Capital Assets

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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

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

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

Long-Term Debt

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

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

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements. In the fund financial statements, governmental fund types recognize bond discounts during the current period.

Equity Classifications

Government-wide Financial Statements

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

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Fund Financial Statements

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

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

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

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

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

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

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

Interfund Transactions

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

Fund Financial Statements

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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

Government-wide Financial Statements

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

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

Property Taxes

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

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

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

Insurance Recoveries

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Use of Estimates

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

NOTE 3 DEPOSITS

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

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

Credit Risk:

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

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

As of December 31, 2020, the City had investments in certificates of deposits as authorized by statutes. These amounts are classified as cash and cash equivalents on the financial statements in accordance with the City's policy.

Custodial Credit Risk

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

The City maintains cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2020, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$4,835,970 of the City's deposits are covered by pledged securities held in the City's name. The total securities pledged exceed 110% of the uninsured balance.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Concentration of Credit Risk:

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

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances between primary government funds at December 31, 2020 is:

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

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

NOTE 5 CAPITAL ASSETS

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

	<u>Balance 1/1/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/20</u>
Governmental Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 1,055,777	\$ 404,403	\$(1,371,424)	\$ 88,756
Capital assets being depreciated:				
Equipment	1,487,663	210,166	(68,270)	1,629,559
Infrastructure	17,046,875	1,480,996	-	18,527,871
Total capital assets being depreciated	<u>18,534,538</u>	<u>1,691,162</u>	<u>(68,270)</u>	<u>20,157,430</u>
Less accumulated depreciation:				
Equipment	841,054	271,338	(42,069)	1,070,323
Infrastructure	2,736,374	748,194	-	3,484,568
Total accumulated depreciation	<u>3,577,428</u>	<u>1,019,532</u>	<u>(42,069)</u>	<u>4,554,891</u>
Total capital assets being depreciated, net	<u>14,957,110</u>	<u>671,630</u>	<u>(26,201)</u>	<u>15,602,539</u>
Net Capital Assets	<u>\$16,012,887</u>	<u>\$1,076,033</u>	<u>\$(1,397,625)</u>	<u>\$15,691,295</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

	Balance 1/1/20	Additions	Deletions	Balance 12/31/20
Business-type Activities				
Capital assets being depreciated:				
Equipment	\$ 710,317	\$ 92,109	\$ -	\$ 802,426
Infrastructure	13,512,212	66,766		13,578,978
Total capital assets being depreciated	14,222,529	158,875	-	14,381,404
Less accumulated depreciation:				
Equipment	469,622	129,173	-	598,795
Infrastructure	1,361,626	453,182	-	1,814,808
Total accumulated depreciation	1,831,248	582,355	-	2,413,603
Net Capital Assets	\$12,391,281	\$ (423,480)	\$ -	\$11,967,801
	Balance 1/1/20	Additions	Deletions	Balance 12/31/20
Component Units *				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 191,590	\$ -	\$ 191,590
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Equipment	104,169	-	-	104,169
Buildings	1,935,631	-	(343,625)	1,592,006
Building improvements	-	343,625	-	343,625
Infrastructure	1,138,291	-	-	1,138,291
Total capital assets being depreciated	3,178,091	343,625	(343,625)	3,178,091
Less accumulated depreciation:				
Equipment	42,435	20,835	-	63,270
Buildings	455,264	37,202		492,466
Building improvements	-	-	-	-
Infrastructure	634,321	45,909	-	680,230
Total accumulated depreciation	1,132,020	103,946	-	1,235,966
Total capital assets being depreciated, net	2,046,071	239,679	(343,625)	1,942,125
Net Capital Assets	\$ 2,056,071	\$ 431,269	\$ (343,625)	\$ 2,143,715

* The component units include the Housing Authority, and Convention and Visitors Bureau which were unaudited. See the Independent Auditor's report for more information. As of December 31, 2020, the Housing Authority, and Convention and Visitors Bureau balances include:

Buildings	\$576,615
Accumulated depreciation – buildings	220,000
Depreciation expense	18,333

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Depreciation expense for the governmental activities of \$1,019,532 was charged to Highways and Streets in the Statement of Activities.

The City has entered into a lease agreement as lessee for financing the acquisition of a dump truck. The lease qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Below are details on the capitalized asset as of December 31, 2020.

Equipment	\$ 109,503
Accumulated depreciation	<u>(7,300)</u>
Total	<u>\$ 102,203</u>

The City also leases the land for the city pool. This lease was effective starting in 2010, which is prior to the date capital assets were recorded on the City's books (see Note 2).

NOTE 6 LONG TERM DEBT

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

	Balance 1/1/20	Additions	Reductions	Balance 12/31/20	Due Within One Year
Governmental Activities					
Note payable	\$ 188,597	\$ 67,083	\$ (51,643)	\$ 204,037	\$ 43,448
Capital lease	942,644	109,503	(111,027)	941,120	112,976
Special assessments	2,845,000	-	(470,000)	2,375,000	515,000
Revenue bonds payable	2,067,690	-	(106,338)	1,961,352	106,158
Bond discount	(28,660)	-	6,330	(22,330)	-
Total	<u>\$ 6,015,271</u>	<u>\$ 176,586</u>	<u>\$ (732,678)</u>	<u>\$ 5,459,179</u>	<u>\$ 777,582</u>
Business-type Activities					
Capital lease	<u>\$ 53,192</u>	<u>\$ -</u>	<u>\$ (53,192)</u>	<u>\$ -</u>	<u>\$ -</u>
Component Units *					
Notes payable	\$ 165,066	\$ 210,439	\$ (18,605)	\$ 356,900	\$ 116,651
Revenue bonds payable	459,683	-	(10,738)	448,945	11,289
Total	<u>\$ 624,749</u>	<u>\$ 210,439</u>	<u>\$ (29,343)</u>	<u>\$ 805,845</u>	<u>\$ 127,940</u>

*The component units include the Housing Authority, and Convention and Visitors Bureau which were unaudited. See the Independent Auditor's report for more information. As of December 31, 2020, the Housing Authority and Convention and Visitors Bureau balances include:

Revenue bonds payable	\$448,945
Notes payable	26,347
Payments made on bonds	(10,738)
Payments made on notes	(4,551)
Due within one year - bonds	11,289
Due within one year - notes	26,347

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Long term debt at December 31, 2020 consists of the following individual issues:

Governmental Activities:	Balance 12/31/20
<u>Note payable:</u>	
Note payable dated October 3, 2018. Payable in annual installments of \$34,580 beginning October 3, 2019, including interest at 3% through October 3, 2023. Paid by the Equipment Service Fund. Secured by Cat Loader.	\$ 97,812
Note payable dated September 18, 2019. Payable in annual installments of \$6,562 beginning April 18, 2020, including interest at 2% through September 18, 2029. Paid by the Intersection Project Fund. Secured by certificate of indebtedness, series 2019.	106,225
Total notes payable	204,037
<u>Capital lease:</u>	
Capital lease for acquisition of pool. Payable in semi-annual installments of \$61,414, beginning February 1, 2010, including interest at 5.25% through August 1, 2029. Paid by the Swimming Pool fund.	869,171
Capital lease for acquisition of dump truck. Payable in annual installments of \$37,710, beginning October 1, 2020, including interest at 3.20% through October 1, 2022. Paid by the Equipment Service fund.	71,949
Total Capital Leases	941,120
<u>Special assessments:</u>	
\$3,600,000 Refunding Improvement Bonds of 2011 (Street Improvement District #22) - due in annual principal installments of \$320,000 to \$395,000 through May 1, 2021; semi-annual interest payments with interest rates of .60% to 2.950% (less discount of \$16,500 as of December 31, 2017). Paid by the Special Assessment #22 fund.	347,000
\$800,000 Refunding Improvement Bonds of 2015 (Street Improvement District #23) - due in annual principal installments of \$50,000 to \$55,000 through May 1, 2030; semi-annual interest payments with interest rates of 1.50% to 3.50% (less discount of \$10,400 as of December 31, 2017). Paid by the Street Improvement District #23 fund.	517,000

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

\$1,030,000 Refunding Improvement Bonds of 2016 (Street Improvement District #24; Street Improvement District #25) - due in annual principal installments of \$60,000 to \$80,000 through May 1, 2031; semi-annual interest payments with interest rates of 1.50% to 3.15% (less discount of \$14,420 as of December 31, 2017). Paid by the Street Improvement District #24 and Street Improvement District #25 funds.	\$ 768,670
\$750,000 Refunding Improvement Bonds of 2019 (Street Improvement District #22; Street Improvement District #23) - due in annual principal installments of \$45,000 to \$60,000 through May 1, 2034; semi-annual interest payments with an interest rate of 2.25%. Paid by the Street Improvement District #22 and Street Improvement District #23 funds.	<u>720,000</u>
Total special assessments	<u>2,352,670</u>
<u>Revenue bonds payable:</u>	
\$586,800 Revenue Bonds of 2014 (Sewer Project) - due in annual principal installments of \$25,000 to \$40,000 through September 1, 2033; semi-annual interest payments with interest rate of 2.00%. Paid by the South Lagoon Revenue Bond fund.	\$ 430,000
\$480,000 Revenue Bonds of 2017 (Water Meter Project), \$441,097 issued as of December 31, 2017 - due in annual principal installments of \$20,000 to \$30,000 through September 1, 2037; semi-annual interest payments with interest rate of 1.50%. Paid by the Water Meter Project fund.	365,000
\$880,000 Revenue Bonds of 2017 (Water Plant Project) - due in annual installments of \$51,193 beginning May 1, 2018, including interest at 1.50% through May 1, 2037. Paid by the Water Plant Improvements fund.	762,763
\$530,000 Revenue Bonds of 2017 (Water Treatment Plant), \$207,774 issued as of December 31, 2019 - due in annual principal installments of \$20,000 to \$30,000 through September 1, 2037; semi-annual interest payments with interest rate of 1.50%. Paid by the Water Plant Improvements fund.	160,000
\$345,000 Revenue Bonds of 2018 (Lime Sludge Removal Project), \$260,589 issued as of December 31, 2019 - due in annual principal installments of \$8,000 to \$15,000 through September 1, 2048; semi-annual interest payments with interest rate of 1.50%. Paid by the South Lagoon Lime Removal Project Fund.	<u>243,589</u>
Total revenue bonds payable	<u>1,961,352</u>
Total long term debt - Governmental activities	<u>\$ 5,459,179</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

Component Units:

Notes payable:

\$111,300 Note payable - due in monthly payments of \$787 through June 2027; interest rate of 5.75%. Secured by separate mortgage dated September 18, 2006. \$ 52,655

\$88,500 Note payable - due in monthly payments of \$950 through May 2021; interest rate of 3.5%. Secured by assignment of contract for deed dated July 17, 2018. 67,460

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

\$40,050 Note payable - due in monthly payments of \$379 through December 2021; interest rate of 2.6% 26,347

Total notes payable 356,901

Revenue bonds payable:

\$550,000 Revenue Bonds of 2008 - due in monthly installments of \$2,605 through February 1, 2044; interest rate of 4.50%. (Housing Authority - unaudited) 448,945

Total long term debt - Component units \$ 805,846

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

The future expected requirements to amortize long-term debt, including interest, as of December 31, 2020 are as follows:

Governmental Activities

	Notes Payable		Capital Leases		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 43,448	\$ 2,934	\$ 112,976	\$ 47,562	\$ 515,000	\$ 73,356
2022	44,397	1,985	118,293	42,245	165,000	47,948
2023	45,377	1,007	86,162	36,666	165,000	43,903
2024	11,803	-	90,724	32,104	170,000	39,656
2025	11,803	-	95,702	27,126	175,000	35,153
2026-2030	47,209	-	437,263	54,050	880,000	103,853
2031-2035	-	-	-	-	305,000	11,554
Bond discount	-	-	-	-	(22,330)	22,330
	<u>\$ 204,037</u>	<u>\$ 5,926</u>	<u>\$ 941,120</u>	<u>\$ 239,753</u>	<u>\$ 2,352,670</u>	<u>\$ 377,752</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

	Revenue Bonds Payable		Total	
	Principal	Interest	Principal	Interest
2021	\$ 106,158	\$ 32,843	\$ 777,582	\$ 156,695
2022	107,342	31,091	435,032	123,269
2023	107,947	29,331	404,486	110,907
2024	108,561	23,047	381,088	94,807
2025	111,185	21,404	393,690	83,683
2026-2030	587,606	75,420	1,952,078	233,323
2031-2035	574,655	31,736	879,655	43,290
2036-2040	228,309	3,234	228,309	3,234
2041-2045	29,589	-	29,589	-
Bond discount	-	-	(22,330)	22,330
	<u>\$ 1,961,352</u>	<u>\$ 248,106</u>	<u>\$ 5,459,179</u>	<u>\$ 871,537</u>

Component Units *

	Notes Payable		Revenue Bonds Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 116,651	\$ 711	\$ 11,289	\$ 19,971	\$ 127,940	\$ 20,682
2022	27,008	8,762	11,808	19,452	38,816	28,214
2023	28,032	6,812	12,350	18,910	40,382	25,722
2024	29,097	5,765	12,865	18,395	41,962	24,160
2025	30,208	4,657	13,509	17,751	43,717	22,408
2026-2030	125,904	8,701	77,392	78,908	203,296	87,609
2031-2035	-	-	96,887	59,413	96,887	59,413
2036-2040	-	-	121,278	35,022	121,278	35,022
2041-2045	-	-	91,567	6,807	91,567	6,807
	<u>\$ 356,900</u>	<u>\$ 35,408</u>	<u>\$ 448,945</u>	<u>\$ 274,629</u>	<u>\$ 805,845</u>	<u>\$ 310,037</u>

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

NOTE 7 RISK MANAGEMENT

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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The City participates in the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

NOTE 8 EMPLOYEE RETIREMENT PLANS

New York Life Defined Contribution Plan

The City sponsors a defined contributions pension plan administered by Mainstay through New York Life for employees hired prior to September 1, 2019. The plan and contribution requirements were established and may be amended by the City Council. This plan requires employer contributions of 8% of each participating employee's gross wage. City contributions to the retirement program amounted to \$30,741 in 2020, \$60,065 in 2019, and \$86,341 in 2018. The plan does not include provisions for employee contributions. The City's policy is to fund all pension costs accrued. Since the pension plan is a "money purchase plan," actuarially computed vested benefits do not exceed the pension plan. This plan is closed to new participants.

NDPERS Main Retirement System

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

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

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

Pension Benefits

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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

At December 31, 2020, if the City were to report on the full accrual basis, a liability of \$1,209,299 for its proportionate share of the net pension liability would have been reported. 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 is based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the Employer's proportion was 0.038439 percent. There were no deferred inflows or outflows of resources report on the District's financial statements as they are reporting on the modified cash basis. The employer's pension contributions were \$42,458 for the year ended December 31, 2020.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
Global Real Assets	19%	5.01%

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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%.

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

NOTE 9 OTHER POST RETIREMENT BENEFITS

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

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

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, if the City were to report on the full accrual basis, a liability of \$51,410 would have been reported. 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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

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 0.061115 percent. There were no deferred inflows or outflows of resources reported on the City's financial statements as they are reporting on the modified cash basis. The Employer's OPEB contributions were \$6,667 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	2.50%
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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

NOTE 10 CONCENTRATIONS OF CREDIT RISK

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

NOTE 11 FUND BALANCE/NET POSITION

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

	General Fund	MIF Fund	Non-major Governmental Funds	Total
Restricted for:				
City Improvements	\$ -	\$ 500,000	\$ 681,130	\$ 1,181,130
Roads	-	-	324,741	324,741
Retirement	-	-	13,726	13,726
Library	-	-	82,462	82,462
Emergency	-	-	106,353	106,353
Cemetery	-	-	83,886	83,886
Swimming Pool	-	-	92,454	92,454
Unassigned	3,227,793	-	-	3,227,793
	<u>\$ 3,227,793</u>	<u>\$ 500,000</u>	<u>\$ 1,384,752</u>	<u>\$ 5,112,545</u>

NOTE 12 LEGAL COMPLIANCE (BUDGETS)

The City's governing board amended the budgets during the year ended December 31, 2020. Amounts recorded for original and final budget are shown in the budget to actual schedules included with the supplementary information.

The City did not have expenditures that exceeded budgeted appropriations for any funds for the year ended December 31, 2020.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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NOTE 13 TRANSFERS

The following is a reconciliation of transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2020:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General	\$ 286,706	\$ 137,976
Non-major	709,291	370,269
Proprietary Funds:		
Water	-	300,416
Garbage	54,969	83,367
Non-major	40,000	198,938
	<u>\$ 1,090,966</u>	<u>\$ 1,090,966</u>

The purpose of general fund and nonmajor governmental funds transfers were to cover negative fund balances. The purpose of water fund transfers were to make bond payments, meet reserve requirements and transfer 20% of water revenue to the general fund in accordance with NDCC. The purpose of garbage fund transfers were to payoff portion of balance owed to the general fund and transfer 20% of garbage revenue to the general fund in accordance with NDCC. The purpose of non-major proprietary fund transfers were to make loan payments, meet debt reserve requirements, and transfer 20% of sewer revenue to the general fund in accordance with NDCC.

NOTE 14 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

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

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

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

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

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

NOTE 15 COMPONENT UNIT PRIOR PERIOD ADJUSTMENT

The Job Development Authority recorded a prior period adjustment of \$120,531 to reduce net position and increase interest buydown payable for the Authority's portion of interest buydown related to the Bank of North Dakota's PACE program.

NOTE 16 COMMITMENTS

The City has the storm shelter project in progress as of December 31, 2020. This project has an expected total cost of approximately \$95,000 and has a remaining estimated cost to complete of approximately \$27,000.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2020

NOTE 17 SUBSEQUENT EVENTS

On February 1, 2021, the City issued 2021 series sewer revenue bonds for \$493,000 to refund 2018 series bond and to obtain an additional loan in the amount of \$165,000. The bonds bear an interest rate of 1.5%, with semi-annual interest payment and annual principal payments, beginning September 2021 through September 2050.

Subsequent events have been evaluated through June 7, 2021, which is the date these financial statements were available to be issued.

CITY OF BEULAH
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 1,326,384	\$ 1,326,384	\$ 393,968	\$ (932,416)
Licenses and permits	20,275	20,275	19,955	(320)
Intergovernmental	191,736	191,736	1,011,630	819,894
Charges for services	113,820	113,820	29,867	(83,953)
Fines and forfeits	29,500	29,500	22,801	(6,699)
Interest	5,200	5,200	13,933	8,733
COVID relief funding	-	-	367,999	367,999
Miscellaneous	64,200	64,200	100,293	36,093
Total revenues	<u>1,751,115</u>	<u>1,751,115</u>	<u>1,960,446</u>	<u>209,331</u>
EXPENDITURES				
Current:				
General government	902,019	902,019	764,216	137,803
Public safety	744,650	744,650	642,316	102,334
Highways and streets	378,600	378,600	356,854	21,746
Culture and recreation	16,400	16,400	5,630	10,770
Health and welfare	3,500	3,500	5,200	(1,700)
Economic development	101,040	101,040	92,369	8,671
Capital outlays	-	-	128,680	(128,680)
Total expenditures	<u>2,146,209</u>	<u>2,146,209</u>	<u>1,995,265</u>	<u>150,944</u>
Excess (deficiency) of revenues over expenditures	<u>(395,094)</u>	<u>(395,094)</u>	<u>(34,819)</u>	<u>360,275</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	273,000	273,000	286,706	13,706
Transfers out	(132,503)	(132,503)	(137,976)	(5,473)
Proceeds from capital lease	-	-	109,503	109,503
Total other financing sources (uses)	<u>140,497</u>	<u>140,497</u>	<u>258,233</u>	<u>117,736</u>
Net change in fund balances	<u>\$ (254,597)</u>	<u>\$ (254,597)</u>	<u>223,414</u>	<u>\$ 478,011</u>
Fund balance - beginning of year			<u>3,004,379</u>	
Fund balance - end of year			<u>\$ 3,227,793</u>	

CITY OF BEULAH
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS
MUNICIPAL INFRASTRUCTURE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 500,000</u>	<u>\$ 200,000</u>
Net change in fund balances	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>500,000</u>	<u>\$ 200,000</u>
Fund balance - beginning of year			<u>-</u>	
Fund balance - end of year			<u><u>\$ 500,000</u></u>	

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

To the City Council
City of Beulah, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units (except the Housing Authority and the Convention and Visitor's Bureau), each major fund, and the aggregate remaining fund information of the City of Beulah, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the modified cash basis financial statements, which collectively comprise the City of Beulah, North Dakota's basic financial statements and have issued our report thereon dated June 7, 2021. In our report, our opinion was modified due to the fact the City had unaudited component units. Except for the scope limitation discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2020-001 and 2020-002 that we considered to be material weaknesses.

Compliance and Other Matters

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

City of Beulah's Response to Finding

The City of Beulah's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Beulah'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.



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

June 7, 2021

CITY OF BEULAH
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020

2020-001: Financial Statement Preparation - Material Weakness

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

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

2020-002: Proposition of Journal Entries - Material Weakness

Criteria

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

Condition

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

Cause

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

Effect

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

CITY OF BEULAH
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
DECEMBER 31, 2020

Recommendation

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

Views of Responsible Officials

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