JOB DEVELOPMENT AUTHORITY, A COMPONENT UNIT OF THE CITY OF BEULAH, NORTH DAKOTA BEULAH, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Statement of Net Position - Modified Cash Basis	3
Statement of Revenues, Expense and Changes in Net Position - Modified Cash Basis	4
Statement of Cash Flows - Modified Cash Basis	5
Notes to the Financial Statements	6
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*	15
Schedule of Findings and Responses	17

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Job Development Board
Job Development Authority
Beulah, North Dakota

We have audited the accompanying modified cash basis financial statements of the Job Development Authority, a component unit 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 Authority's basic financial statements 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the business-type activities of the Job Development Authority as of December 31, 2020, and the respective changes in modified cash basis financial position and cash flows for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the Authority changed its method of accounting for interest buydown payable. In addition, the Authority also changed its reporting model and now reports its activities as an enterprise fund rather than a governmental fund. Our opinion is not modified respect to these matters.

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 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 Authority'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 Authority'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 Authority's internal controls over financial reporting and compliance.

Brady Martz

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

June 7, 2021

JOB DEVELOPMENT AUTHORITY, A COMPONENT UNIT
OF THE CITY OF BEULAH, NORTH DAKOTA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2020

ASSETS	
Current assets:	
Cash and cash equivalents	$ 268,176
Non-current assets:	
Capital assets, net of accumulated depreciation	1,240,503
Total assets	1,508,679
LIABILITIES	
Current liabilities:	
Interest buydown payable	18,006
Current portion of long-term debt	90,304
Total	108,310
Non-current liabilities:	
Interest buydown payable	81,277
Non-current portion of long-term debt	240,250
Total	321,527
Total liabilities	429,837
NET POSITION	
Net investment in capital assets	909,949
Unrestricted	168,893
Total net position	$ 1,078,842

See Notes to the Financial Statements

JOB DEVELOPMENT AUTHORITY, A COMPONENT UNIT
OF THE CITY OF BEULAH, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2020

Operating revenues:	
Charges for services	$ 64,787
Property taxes	38,725
Miscellaneous	141
Total operating revenue	103,653
Operating expenses:	
Contracts and projects	11,112
Maintenance and supplies	12,581
Depreciation	17,363
Utilities	10,369
Grants	1,500
Real estate taxes	3,253
Insurance	1,569
Advertising	184
Miscellaneous	11,126
Total expenses	69,057
Operating income	34,596
Nonoperating revenues (expenses):	
Investment earnings	38
Interest on long-term debt	(91,566)
Total general revenues	(91,528)
Change in net position	(56,932)
Net position - beginning, as originally stated	238,484
Prior period adjustment (see note 3)	897,290
Net position - beginning, as restated	1,135,774
Net position - ending	$ 1,078,842

See Notes to the Financial Statements

JOB DEVELOPMENT AUTHORITY, A COMPONENT UNIT
OF THE CITY OF BEULAH, NORTH DAKOTA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:	
Receipts from customers	$ 129,394
Receipts from taxes	38,725
Payments to suppliers	(51,695)
Cash provided (used) by operating activities	116,424
Cash flows from investing activities	
Interest income	38
Cash flows from capital and related financing activities	
Purchase of capital assets	(191,590)
Payments on long-term debt	(14,064)
Proceeds from issuance of long-term debt	210,450
Interest paid	(91,566)
Cash provided (used) by capital and related financing activities	(86,770)
Change in cash and cash equivalents	29,692
Cash and cash equivalents, beginning of period	238,484
Cash and cash equivalents, end of period	$ 268,176

Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	$ 34,596
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:	
Depreciation	17,362
Effects on operating cash flows due to changes in:	
Buydown payable	64,466
Total adjustments	81,828
Net cash provided (used) by operating activities	$ 116,424

See Notes to the Financial Statements

NOTE 1 DESCRIPTION OF THE JOB DEVELOPMENT AUTHORITY (COMPONENT UNIT)

The City of Beulah operates under a city council form of government. The Job Development Board of Directors is appointed by the City Council. The Job Development Authority is accounted for as a special purpose government engaged in a business-type activity.

As discussed in Note 2, these 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 (U.S. GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Job Development Authority's significant accounting policies are as described below in Note 2.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Job Development Authority’s basic financial statements consist of the statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows.

Financial Reporting Entity

Component units are legally separate organizations for which a government is financially accountable. The Job Development Authority is included as a component unit in a separate report of the City of Beulah (the primary government) because of the significance of the operational and financial relationship with the City.

The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization’s governing body and (1) the ability of the government to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the government. Component units may also include organizations that are fiscally dependent on the government.

The members of the governing board of the Job Development Authority are appointed by the City Council. Although the City does not have the authority to approve or modify the Job Development Authority’s operational and capital budgets, the tax rates established by the Job Development Authority and bonded debt must be approved by the City Council.

Based on the above criteria, the Job Development Authority has no component units included in its report.

Fund Accounting

The Job Development Authority uses fund accounting to report on its financial position and the results of its operations. The activities of the various funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions and activities.

The following fund type is used by the Job Development Authority:

Proprietary Fund Type: The Proprietary Funds measurement focus is upon determination of net income, financial position, and changes in financial position. These funds are used to account for activities that are similar to those found in the private sector. They are maintained on the modified cash basis of accounting. The following is the Job Development Authority’s Proprietary Fund type:

Enterprise Funds: account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis by financing or recovered primarily through user chargers; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The Authority follows the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenditures/expenses when they result from cash transactions with a provision for capital assets including related depreciation and long term liabilities. 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. Under the modified cash basis of accounting, economic development loans are recorded as expenditures when advanced and collections on the note receivables are recorded as income when received.

Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are charges from services and tax used for the purpose of economic development. Operating expenses include expenses related to the buildings that are used for economic development, grants and advertising costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Budget – Legal Compliance

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 Authority prepares its budget and reports it funds on the same basis of accounting.

Cash and Cash Equivalents

The Job Development Authority 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.

Capital Assets

Property and equipment are carried at historical cost or estimated historical cost if actual historical cost is not known. Contributed assets are recorded at acquisition fair value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of $5,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Asset	Estimated life
Buildings and improvements	25 – 75 years

Long-term Debt

Long-term obligations are reported at face value, net of applicable premiums and discounts. Premiums and discounts and gains or losses on advance refunding and defeasances are deferred and amortized over the life of the bonds. Bond issue costs are expensed in the period incurred.

Equity Classifications

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

- 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 improvement of those assets.

- Restricted - Consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.

- Unrestricted net position - All other net position that do not meet the definitions of "net investment in capital assets” or “restricted.”

Use of Estimates

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

NOTE 3 CHANGE IN ACCOUNTING PRINCIPLE

The Authority recorded a prior period adjustment for their portion of obligations (community buydown) owed on the Flex PACE loans. This adjustment resulted in an increase in interest buydown payable and decrease in net position of $34,817.

The Authority also changed its reporting model from being classified as a governmental fund to an enterprise fund. This change resulted in no change between the government wide level net position. At the fund level, this change increased capital assets $1,066,275, increased long-term debt $134,168 and increased net position by $932,107.

NOTE 4 DEPOSITS

In accordance with North Dakota statutes, the Job Development Authority 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 Job Development Authority may invest idle funds as authorized by 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 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

The Job Development Authority has no investments as of the year ended December 31, 2020. All funds are held in demand checking accounts.

Custodial Credit Risk

Custodial credit risk 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 Job Development Authority 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 Job Development Authority's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage.

NOTE 5 CONCENTRATIONS OF CREDIT RISK

The Job Development Authority encourages and assists in development of employment within the City and in this capacity grants credit to business enterprises.

NOTE 6 RELATED PARTY TRANSACTIONS

The Job Development Authority purchases a portion of its services and supplies from various entities that are controlled by the City Council members. It was not reasonably possible to determine the dollar amount of these transactions for the fiscal year ended December 31, 2020.

NOTE 7 CAPITAL ASSETS

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

	Balance 1/1/20	Additions	Deletions	Balance 12/31/20
Capital asset not being depreciated:				
Land	$ 10,000	$ -	$ -	$ 10,000
Construction in progress	-	191,591	-	191,591
	10,000	191,591	-	201,591
Capital assets being depreciated:				
Buildings and improvements	1,302,221	-	-	1,302,221
Less accumulated depreciation:				
Buildings and improvements	245,946	17,363	-	263,309
Total capital assets being depreciated, net	1,056,275	(17,363)	-	1,038,912
Total capital assets, net	$ 1,066,275	$ 174,228	$ -	$ 1,240,503

All of the Authority’s capital assets are leased and held for lease. See Note 11 for more information regarding the leases of capital assets.

NOTE 8 LONG-TERM DEBT

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

Loan for renovation of Greystone Hotel dated May 2007 for $111,300, refinanced in 2017. Payable at a rate of 5.75% interest, in monthly installments of $787, due June 2027. Secured by separate mortgage dated September 18, 2006.	$ 52,655
Loan for B'Dolce's Bakery dated July 2018. Payable at a rate of 3.5% in monthly installments of $950, including interest with a final payment of approximately $67,500 due May 2021. Secured by assignment of contract for deed dated July 17, 2018.	67,460
Loan for renovation of USDA building dated August 19, 2020. Payable at a rate of 3.0% in monthly installments of $3,539 until maturity at August 19, 2030. Secured by USDA building.	210,439
Total Notes Payable	$ 330,554

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

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020	Due Within One Year
Notes Payable	$ 134,168	$ 210,450	$ (14,064)	$ 330,554	$ 90,304

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

Year Ending December 31	Principal	Interest	Total
2021	$ 90,304	$ 9,853	$ 100,157
2022	27,008	7,920	34,928
2023	28,032	6,898	34,930
2024	29,097	5,832	34,929
2025	30,208	4,722	34,930
2026-2029	125,905	8,701	134,606
Total	$ 330,554	$ 43,926	$ 374,480

NOTE 9 INTEREST BUYDOWN

The Job Development Authority participates in Flex PACE program of the PACE Fund, which is administered by the Bank of North Dakota.

The Flex PACE program is designed to provide an interest buy down opportunity to non-PACE qualifying businesses in which the community determines eligibility and accountability standards. Flex PACE targets essential community businesses without the job creation requirement. The maximum amount from the fund in interest buydown may not exceed $500,000 per borrower in any biennium.

The Job Development Authority has entered into Flex PACE agreements for the community share of the buydown on the borrower's loan. As of December 31, 2020, the Authority's share of future payments on these loans is as follows:

2021	$ 18,006
2022	12,551
2023	12,008
2024	11,381
2025	10,739
2026-2028	34,598
	$ 99,283

NOTE 10 RISK MANAGEMENT

The Job Development Authority 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Job Development Authority is covered under the City of Beulah NDIRF insurance policies. The City pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence.

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

NOTE 11 TENANT LEASES

The Job Development Authority leases office space to tenants under non-cancelable operating leases with terms of one to five years through fiscal year 2025. The following is a schedule by years of future minimum rental payments to be received under the leases as of December 31, 2020:

2021	$ 102,180
2022	84,780
2023	84,780
2024	84,780
2025	80,833

Total rental receipts of $64,787 is included in statement of revenues, expenses, and changes in net position for the year ended December 31, 2020.

NOTE 12 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.

Management has not yet determined what effect this statement will have on the Authority's financial statements.

NOTE 13 COMMITMENTS

The Authority has the United States Department of Agriculture building in progress as of December 31, 2020. This project has an expected total cost of approximately $330,000, and has a remaining estimated cost to complete of approximately $191,591. The Authority has a construction loan to support this expenditure.

NOTE 14 SUBSEQUENT EVENTS

Subsequent to year end, the Authority drew down an additional $132,761 on their construction loan to aid in completion of the United States Department of Agriculture building.

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

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 Job Development Board
Job Development Authority
Beulah, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the business-type activities of the Job Development Authority, a component unit 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 Authority's basic financial statements and have issued our report thereon dated June 7, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2020-001 and 2020-002 as described in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 2020-003 as described in the accompanying schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

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

Job Development Authority's Responses to Findings

Job Development Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority'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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

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

June 7, 2021

2020-001: Material Weakness – Preparation of Financial Statements

Criteria
An appropriate system of internal controls requires that the Authority make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the Authority's personnel to maintain a working knowledge of current accounting principles and required financial statement disclosures.

Condition
The Authority has engaged its auditors to prepare the financial statements including all disclosures.

Cause
The Authority has elected to not allocate resources for the preparation of the financial statements.

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

Recommendation
We recommend the Authority 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 Authority 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 and Planned Corrective Action
The Authority has engaged an outside accounting firm to maintain the journal entries and provide financial reports, 2020 was the first year that the Authority had engaged the accounting firm. The engagement of this firm provides an outside third party to review each journal entry and create financial reports which are reviewed and approved by the Authority's Board of Directors.

2020-002: Material Weakness – Proposition of Journal Entries

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

Condition
During our audit, a material adjustment was posted to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Cause
The Authority did not record transactions relating to the sale of a building correctly.

Effect
The Authority's financial statements were materially misstated prior to the adjustment proposed by its auditors.

Recommendation
The Authority will need to determine the proper balance in each general ledger account prior to the audit and ensure all transactions are appropriately recorded.

Views of Responsible Officials and Planned Corrective Action
The Authority has engaged an outside accounting firm to maintain the journal entries and provide financial reports, 2020 was the first year that the Authority had engaged the accounting firm. The engagement of this firm provides an outside third party to review each journal entry and create financial reports which are reviewed and approved by the Authority's Board of Directors.

2020-003: Significant Deficiency – Lack of Segregation of Duties

Criteria
Generally, a system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition
Up until June of 2020, the Authority had one staff person performing most of the accounting functions including recording, reconciling and this person also is one of the check signors authorizing payments. Subsequent to June of 2020, the Authority hired a third party accountant that records and reconciles transactions.

Cause
Size and budget constraints limiting the number of personnel within the Authority.

Effect
The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation
The areas should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the board.

Views of Responsible Officials and Planned Corrective Action
The Authority has engaged an outside accounting firm to maintain the journal entries and provide financial reports, 2020 was the first year that the Authority had engaged the accounting firm. The engagement of this firm provides an outside third party to review each journal entry and create financial reports which are reviewed and approved by the Authority's Board of Directors. The engagement of the outside third-party accounting firm provides the adequate segregation of duties for the Authority.