

CITY OF BEACH

FINANCIAL STATEMENTS DECEMBER 31, 2021

WITH INDEPENDENT AUDITOR'S REPORT

City Officials	1
Independent Auditor's Report	2 - 4
Government Wide Financial Statements	
Statement of Net Position	5 - 6
Statement of Activities	7
Fund Financial Statements	
Balance Sheet - Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	10
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the Government-Wide Statement of Activities	11
Statement of Net Position - Proprietary Funds	12 - 13
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	14
Statement of Cash Flows - Proprietary Funds	15
Notes to the Financial Statements	16 - 36
Required Supplementary Information	
Schedule of the Employer's Share of Net OPEB Liability and Employer Contributions	37
Schedule of the Employer's Share of Net Pension Liability and Employer Contributions	38
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Comparison of Budget to Actual General Fund	39
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Comparison of Budget to Actual Special Revenue Fund	40
Notes to the Required Supplementary Information	41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42 - 43
Schedule of Findings and Responses	44 - 45

CITY OF BEACH
CITY OFFICIALS
DECEMBER 31, 2021

City Council

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

City Officials

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



Independent Auditor's Report

City Council
City of Beach

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beach, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Beach's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information for the City of Beach, as of December 31, 2021, and the respective changes in financial position, and where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Beach, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Beach's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Beach's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Beach's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the employer's share of net OPEB liability and employer contributions, schedule of the employer's share of net pension liability and employer contributions, schedule of revenues, expenditures, and changes in fund balances – comparison of budget to actual general fund, schedule of revenues, expenditures, and changes in fund balances – comparison of budget to

actual special revenue fund, and notes to the required supplementary information on pages 38-46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

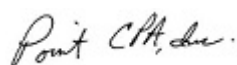
Other Information

Management is responsible for the other information included in the annual report. The other information comprises of the city officials listing but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2024 on our consideration of City of Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Beach's internal control over financial reporting and compliance.



Bismarck, North Dakota
April 15, 2024

CITY OF BEACH
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,246,374	\$ 301,043	\$ 1,547,417
Intergovernmental receivable	94,412	-	94,412
Taxes receivable	4,516	-	4,516
Special assessments receivable	2,480	28,798	31,278
Accounts receivable	-	46,081	46,081
Other receivables	-	5,391	5,391
Restricted cash	-	53,670	53,670
Other assets	-	5,000	5,000
Capital assets			
Nondepreciable	161,168	221,216	382,384
Depreciable, net	2,455,084	6,023,591	8,478,675
Total assets	3,964,034	6,684,790	10,648,824
DEFERRED OUTFLOWS OF RESOURCES			
OPEB	5,531	3,567	9,098
Pensions	157,496	204,793	362,289
Total deferred outflows of resources	163,027	208,360	371,387
LIABILITIES			
Accounts payable	10,089	22,650	32,739
Intergovernmental payables	373	-	373
Interest payable	3,972	8,463	12,435
Other payables	64,553	2,021	66,574
Noncurrent liabilities			
Due within one year			
Financing lease payable	6,352	-	6,352
Note payables	36,236	14,857	51,093
Due in more than one year			
Compensated absences	28,995	12,826	41,821
Financing lease payable	33,785	-	33,785
Long term debt	1,155,510	1,109,772	2,265,282
Net OPEB liability	8,700	5,610	14,310
Net pension liability	111,340	146,870	258,210
Total liabilities	1,459,905	1,323,069	2,782,974

See Notes to the Financial Statements

CITY OF BEACH
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2021

DEFERRED INFLOWS OF RESOURCES

OPEB	4,591	2,960	7,551
Pensions	<u>225,481</u>	<u>296,599</u>	<u>522,080</u>
Total deferred inflows of resources	<u>230,072</u>	<u>299,559</u>	<u>529,631</u>

NET POSITION

Net investment in capital assets	1,460,742	5,135,035	6,595,777
Restricted for:			
Municipal highway	113,442	-	113,442
Infrastructure & community enhancement	227,758	-	227,758
City occupancy	25,175	-	25,175
Special assessment	51,121	-	51,121
Emergency	19,631	-	19,631
Unrestricted	<u>539,215</u>	<u>135,487</u>	<u>674,702</u>
Total net position	<u>\$ 2,437,084</u>	<u>\$ 5,270,522</u>	<u>\$ 7,707,606</u>

See Notes to the Financial Statements

CITY OF BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

		Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services, Fines, and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities	\$ 289,768	\$ -	\$ -	\$ -	\$ (289,768)	\$ -	\$ (289,768)
Public safety	129,699	25	-	-	(129,674)	-	(129,674)
Public works	707,388	-	84,380	71,342	(551,666)	-	(551,666)
Public health	5,675	-	-	-	(5,675)	-	(5,675)
Culture and recreation	35,191	-	-	-	(35,191)	-	(35,191)
Total governmental activities	1,167,721	25	84,380	71,342	(1,011,974)	-	(1,011,974)
Business-type activities							
Water	306,029	386,121	-	1,259,803	-	1,339,895	1,339,895
Sewer	179,171	128,544	-	6,460	-	(44,167)	(44,167)
Garbage	199,899	173,152	-	-	-	(26,747)	(26,747)
Non-major	35,872	20,360	-	-	-	(15,512)	(15,512)
Total business-type activities	720,971	708,177	-	1,266,263	-	1,253,469	1,253,469
Total primary government	<u>\$ 1,888,692</u>	<u>\$ 708,202</u>	<u>\$ 84,380</u>	<u>\$ 1,337,605</u>	<u>(1,011,974)</u>	<u>1,253,469</u>	<u>241,495</u>
General revenue							
Property taxes					\$ 214,678	\$ -	\$ 214,678
Special assessments					8,001	35,430	43,431
City sales tax					158,515	-	158,515
Licenses and permits					8,190	-	8,190
Oil and gas production tax					176,673	-	176,673
State aid and revenues not restricted to specific programs					103,821	-	103,821
Unrestricted interest income					187	-	187
Miscellaneous					23,069	11,159	34,228
Total general revenues					693,134	46,589	739,723
Change in net position					(318,840)	1,300,058	981,218
Net position, beginning of year					2,669,173	3,970,464	6,639,637
Restatement					86,751	-	86,751
Net position, beginning of year, as restated					2,755,924	3,970,464	6,726,388
Net position, end of year					<u>\$ 2,437,084</u>	<u>\$ 5,270,522</u>	<u>\$ 7,707,606</u>

See Notes to the Financial Statements

CITY OF BEACH
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 657,028	\$ 303,735	\$ 285,611	\$ 1,246,374
Intergovernmental receivable	55,679	37,465	1,269	94,413
Taxes receivable	4,296	-	222	4,518
Special assessments receivable	3,480	-	-	3,480
Total assets	720,483	341,200	287,102	1,348,785
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	10,073	-	236	10,309
Intergovernmental payables	-	-	373	373
Other payables	-	-	64,553	64,553
Total liabilities	10,073	-	65,162	75,235
DEFERRED INFLOWS OF RESOURCES				
Unavailable property taxes	7,779	-	-	7,779
FUND BALANCES				
Restricted for:				
Municipal highway	-	113,442	-	113,442
Infrastructure & community enhancement	-	227,758	-	227,758
City occupancy	-	-	25,175	25,175
Special assessment	-	-	51,121	51,121
Emergency	-	-	19,631	19,631
Committed for:				
Pool Sales Tax	-	-	2,609	2,609
Walking/Biking Path	-	-	9,870	9,870
Assigned for:				
Capital projects	-	-	118,562	118,562
Tri-Centennial	-	-	3,149	3,149
Unassigned	702,631	-	(8,177)	694,454
Total fund balances	702,631	341,200	221,940	1,265,771
Total liabilities, deferred inflows of resources, and fund balances	\$ 720,483	\$ 341,200	\$ 287,102	\$ 1,348,785

See Notes to the Financial Statements

CITY OF BEACH
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Total fund balance, governmental funds	\$ 1,265,771
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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
governmental funds

Cost of capital assets	4,501,110	
Less accumulated depreciation	<u>(1,884,858)</u>	
Net capital assets		2,616,252

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

7,779

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

(179,331)

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

(8,537)

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

Compensated absences	(28,995)	
Interest payable	(3,972)	
Notes payable	(1,191,746)	
Capital lease	<u>(40,137)</u>	
Total noncurrent liabilities		<u>(1,264,850)</u>

Net position of governmental activities in the
Statement of Net Position

\$ 2,437,084

CITY OF BEACH

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General Fund	Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 132,928	\$ -	\$ 82,751	\$ 215,679
Licenses and permits	8,190	-	-	8,190
Intergovernmental revenues	280,494	199,815	32,540	512,849
Fines and forfeitures	25	-	-	25
Other income	104,949	-	-	104,949
Investments and royalty income	187	-	190	377
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	526,773	199,815	115,481	842,069
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures				
Current				
General government	189,388	-	-	189,388
Public safety	119,893	-	-	119,893
Public works	167,703	345,031	105	512,839
Public health	5,675	-	-	5,675
Culture and recreation	2,825	-	30,271	33,096
Community development	-	-	8,568	8,568
Debt service				
Principal	6,878	-	48,629	55,507
Interest	-	-	25,239	25,239
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	492,362	345,031	112,812	950,205
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	34,411	(145,216)	2,669	(108,136)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	34,411	(145,216)	2,669	(108,136)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	668,220	486,416	219,271	1,373,907
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 702,631	\$ 341,200	\$ 221,940	\$ 1,265,771
	<hr/>	<hr/>	<hr/>	<hr/>

See Notes to the Financial Statements

CITY OF BEACH
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Net change in fund balances - total governmental funds \$ (108,136)

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

Revenues in the statement of activities that
do not provide current financial resources are
not reported as revenues in the funds (7,001)

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

Capital asset additions	-	
Current year depreciation	(230,489)	(230,489)

Changes to compensated absences do not require
the use of current financial resources and therefore
are not reported as expenditures in governmental
funds. 7,041

Some expenses reported in the statement of activities
activities do not require the use of current financial
resources, and, therefore, not reported as
expenditures in governmental funds. (22,048)

Repayment of long-term debt principal is an expenditure
in the governmental funds, but the repayment reduces
long-term liabilities in the statement of net position. 35,522

Repayment of financing lease payable is an expenditure in the
in the governmental funds, but the repayment reduces
long-term liabilities in the statement of net position. 6,271

\$ (318,840)

CITY OF BEACH
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 50,731	\$ 102,255	\$ 101,815	\$ 46,242	\$ 301,043
Special assessments receivable	19,070	9,727	-	-	28,797
Accounts receivable	23,295	9,863	12,922	-	46,080
Other receivables	5,391	-	-	-	5,391
Other assets	5,000	-	-	-	5,000
Total current assets	<u>103,487</u>	<u>121,845</u>	<u>114,737</u>	<u>46,242</u>	<u>386,311</u>
NONCURRENT ASSETS					
Restricted cash	38,158	15,512	-	-	53,670
Capital assets					
Nondepreciable	-	216,307	4,910	-	221,217
Depreciable, net	<u>2,381,294</u>	<u>3,076,470</u>	<u>221,289</u>	<u>344,537</u>	<u>6,023,590</u>
Total non-current assets	<u>2,419,452</u>	<u>3,308,289</u>	<u>226,199</u>	<u>344,537</u>	<u>6,298,477</u>
Total assets	<u>2,522,939</u>	<u>3,430,134</u>	<u>340,936</u>	<u>390,779</u>	<u>6,684,788</u>
DEFERRED OUTFLOWS OF RESOURCES					
OPEB	1,092	1,110	1,365	-	3,567
Pension	<u>79,385</u>	<u>44,412</u>	<u>80,996</u>	<u>-</u>	<u>204,793</u>
Total deferred outflows of resources	<u>80,477</u>	<u>45,522</u>	<u>82,361</u>	<u>-</u>	<u>208,360</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
CURRENT LIABILITIES					
Accounts payable	1,857	20,790	-	-	22,647
Other payables	<u>5,406</u>	<u>4,903</u>	<u>-</u>	<u>174</u>	<u>10,483</u>
Total current liabilities	<u>7,263</u>	<u>25,693</u>	<u>-</u>	<u>174</u>	<u>33,130</u>
NONCURRENT LIABILITIES					
Compensated absences	8,391	-	4,435	-	12,826
Notes payable	657,787	466,842	-	-	1,124,629
Net OPEB liability	1,717	1,746	2,147	-	5,610
Net pension liability	<u>56,806</u>	<u>31,502</u>	<u>58,562</u>	<u>-</u>	<u>146,870</u>
Total noncurrent liabilities	<u>724,701</u>	<u>500,090</u>	<u>65,144</u>	<u>-</u>	<u>1,289,935</u>
Total liabilities	<u>731,964</u>	<u>525,783</u>	<u>65,144</u>	<u>174</u>	<u>1,323,065</u>

See Notes to the Financial Statements

CITY OF BEACH
STATEMENT OF NET POSITION – PROPRIETARY FUNDS - CONTINUED
DECEMBER 31, 2021

DEFERRED INFLOWS OF
RESOURCES

OPEB	906	921	1,133	-	2,960
Pension	<u>114,769</u>	<u>63,753</u>	<u>118,077</u>	<u>-</u>	<u>296,599</u>

Total deferred inflows
of resources

	<u>115,675</u>	<u>64,674</u>	<u>119,210</u>	<u>-</u>	<u>299,559</u>
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NET POSITION

Net investment in capital assets	1,723,507	2,825,935	226,199	344,537	5,120,178
Restricted	38,158	15,512	-	-	53,670
Unrestricted	<u>(5,888)</u>	<u>43,752</u>	<u>12,744</u>	<u>46,068</u>	<u>96,676</u>

Total net position

	<u>\$ 1,755,777</u>	<u>\$ 2,885,199</u>	<u>\$ 238,943</u>	<u>\$ 390,605</u>	<u>\$ 5,270,524</u>
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CITY OF BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Revenues					
Charges for services	\$ 386,121	\$ 125,320	\$ 170,566	\$ 20,360	\$ 702,367
Grant revenues	1,259,803	6,460	-	-	1,266,263
Special assessments	30,503	4,927	-	-	35,430
Total operating revenues	<u>1,676,427</u>	<u>136,707</u>	<u>170,566</u>	<u>20,360</u>	<u>2,004,060</u>
Expenses					
Personal services	105,490	51,780	102,611	-	259,881
Supplies	27,665	16,313	22,660	785	67,423
Purchased services	139,249	7,044	45,636	11,026	202,955
Repairs	-	24,523	6,245	3,247	34,015
Depreciation	28,938	63,856	22,747	14,049	129,590
Total operating expenses	<u>301,342</u>	<u>163,516</u>	<u>199,899</u>	<u>29,107</u>	<u>693,864</u>
Operating income (loss)	<u>1,375,085</u>	<u>(26,809)</u>	<u>(29,333)</u>	<u>(8,747)</u>	<u>1,310,196</u>
Nonoperating revenues (expenses)					
Interest	(4,687)	(16,057)	-	-	(20,744)
Miscellaneous income	500	4,741	6,650	-	11,891
Total nonoperating revenues (expenses)	<u>(4,187)</u>	<u>(11,316)</u>	<u>6,650</u>	<u>-</u>	<u>(8,853)</u>
Net income (loss) before transfers	<u>1,370,898</u>	<u>(38,125)</u>	<u>(22,683)</u>	<u>(8,747)</u>	<u>1,301,343</u>
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>1,370,898</u>	<u>(38,125)</u>	<u>(22,683)</u>	<u>(8,747)</u>	<u>1,301,343</u>
Total net position, beginning of year	384,879	2,923,324	261,626	399,352	3,969,181
Total net position, end of year	<u>\$ 1,755,777</u>	<u>\$ 2,885,199</u>	<u>\$ 238,943</u>	<u>\$ 390,605</u>	<u>\$ 5,270,524</u>

See Notes to the Financial Statements

CITY OF BEACH
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Water	Sewer	Garbage	Nonmajor Enterprise Funds	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 369,012	\$ 109,464	\$ 174,728	\$ 20,360	\$ 673,564
Other receipts	1,294,992	11,387	(5,646)	-	1,300,733
Payments to suppliers	(207,620)	(51,031)	(71,480)	(15,058)	(345,189)
Payments to employees	(96,521)	(51,512)	(96,924)	-	(244,957)
Net cash provided by (used for) operating activities	1,359,863	18,309	677	5,302	1,384,151
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Miscellaneous income	500	4,339	6,650	-	11,489
Proceeds from issuance of bond debt	617,658	-	-	-	617,658
Payments on bond debt	-	(8,940)	-	-	(8,940)
Capital asset purchases	(1,940,910)	-	250	-	(1,940,660)
Net cash provided by (used by) capital and related financing activities	(1,322,752)	(4,601)	6,900	-	(1,320,453)
NET CHANGE IN CASH AND CASH EQUIVALENTS	37,111	13,708	7,577	5,302	63,698
CASH AND CASH EQUIVALENTS, beginning of year	51,778	104,059	94,238	40,940	291,015
CASH AND CASH EQUIVALENTS, end of year	\$ 88,889	\$ 117,767	\$ 101,815	\$ 46,242	\$ 354,713
Reconciliation of cash and cash equivalents					
Cash	\$ 50,731	\$ 102,255	\$ 101,815	\$ 46,242	\$ 301,043
Restricted cash	38,158	15,512	-	-	53,670
Total cash and cash equivalents	\$ 88,889	\$ 117,767	\$ 101,815	\$ 46,242	\$ 354,713
Reconciliation of operating loss to net cash provided by operating activities					
Operating income (loss)	\$ 1,375,085	\$ (26,809)	\$ (29,333)	\$ (8,747)	\$ 1,310,196
Adjustments to reconcile operating income to net cash provided by (used for) operating activities					
Depreciation expense	28,938	63,856	22,747	14,049	129,590
Effects on cash flows due to changes in					
Accounts receivable	(17,109)	540	1,577	-	(14,992)
Deferred outflows	38,570	20,801	40,009	-	99,381
Accounts payable	(36,020)	(3,151)	-	-	(39,171)
Deferred inflows	81,928	45,885	84,457	-	212,270
Net pension and OPEB liabilities	(111,529)	(82,815)	(118,779)	-	(313,123)
Net cash provided by (used in) operating activities	\$ 1,359,863	\$ 18,309	\$ 678	\$ 5,302	\$ 1,384,152

See Notes to the Financial Statements

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1 - Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

Measurement Focus and Basis of Accounting

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

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

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Government-Wide Financial Statements

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

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

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

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Fund Financial Statements

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

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

Financial Statement Presentation

The City reports the following major governmental funds:

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

Special Revenue Fund – This fund is used for infrastructure and community enhancement.

The City reports the following major enterprise funds:

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

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

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

Budgets and Budgetary Accounting

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

The governing board reviews the preliminary budget, may make revisions, and approves it on or before September 10. On or before October 7, a public hearing is held for taxpayers to discuss any budgeted items. The governing body reviews the preliminary budget at the hearing and may make revisions that do not increase the total budget and prepares the final budget. The governing

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

board adopts an ordinance approving the tax levy requested in the final budget. The final budget must be filed with the county auditor by October 10.

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

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

Cash and Cash Equivalents

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

Restricted Cash

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

Capital Assets

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

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

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

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

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

The City reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2021.

Compensated Absences

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

Other Post-Employment Benefits (OPEB)

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

Pensions

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

Deferred Outflows and Inflows of Resources

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Long-Term Debt

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

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

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

Net Position and Fund Balance

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

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

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

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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

Internal and Interfund Balances and Activities

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

Property Taxes

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

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

Abatements

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. As of December 31, 2021, the City of Beach has one property with a tax abatement that runs through 2023. The abatement is granted under North Dakota Century Code 40-57-1-03, Tax Incentives for New or Expanding Businesses.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Use of Estimates

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

Note 2 – Restatement to Beginning Net Position

A restatement increasing beginning government-wide net position by \$86,751 was necessary to bring beginning government-wide net position to actual.

Note 3 - Cash and Cash Equivalents

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

Custodial Credit Risk

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

At year end December 31, 2021, the City's carrying amount of deposits was \$1,601,086 and the bank balance was \$1,668,886. Of the bank balances \$548,182, was covered by Federal Depository Insurance or coverage substantially the same as that provided by federal deposit insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

Note 4 - Accounts Receivable

Accounts receivable consists of billings for December and accounts delinquent at December 31, 2021.

Note 5 - Intergovernmental Receivable

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 6 - Capital Assets

Capital asset activity for the year ended December 31, 2021 is as follows:

Governmental Activities	Balance 01/01/2021	Additions	Transfers	Reductions	Balance 12/31/2021
Capital assets not being depreciated					
Land	\$ 161,168	\$ -	\$ -	\$ -	\$ 161,168
Total capital assets not being depreciated	161,168	-	-	-	161,168
Capital assets being depreciated					
Buildings and infrastructure	665,550	-	-	-	665,550
Machinery and equipment	1,208,843	-	-	-	1,208,843
Improvements other than buildings	2,465,549	-	-	-	2,465,549
Total capital assets being depreciated	4,339,942	-	-	-	4,339,942
Less accumulated depreciation					
Buildings and infrastructure	442,719	12,896	-	-	455,615
Machinery and equipment	641,345	74,827	-	-	716,172
Improvements other than buildings	570,305	142,766	-	-	713,071
Total accumulated depreciation	1,654,369	230,489	-	-	1,884,858
Total capital assets being depreciated	2,685,573	(230,489)	-	-	2,455,084
Governmental capital assets, net	\$ 2,846,741	\$ (230,489)	\$ -	\$ -	\$ 2,616,252

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

General government	\$ 24,040
Public safety	9,806
Public works	194,548
Social and economic services	2,095
Total depreciation expense	<u>\$ 230,489</u>

CITY OF BEACH

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED FOR THE YEAR ENDED DECEMBER 31, 2021

Business-Type Activities	Balance 01/01/2021	Additions	Transfers	Reductions	Balance 12/31/2021
Capital assets not being depreciated					
Land	\$ 221,217	\$ -	\$ -	\$ -	\$ 221,217
Construction in progress	190,986		(190,986)	-	-
Total capital assets not being depreciated	412,203	-	(190,986)	-	221,217
Capital assets being depreciated					
Buildings and infrastructure	1,154,820	-	-	-	1,154,820
Machinery and equipment	287,663	-	-	-	287,663
Improvements other than buildings	2,477,648	1,922,810	190,986	-	4,591,444
Other capital assets	1,098,301	21,150	-	-	1,119,451
Total capital assets being depreciated	5,018,432	1,943,960	190,986	-	7,153,378
Less accumulated depreciation					
Buildings and infrastructure	850,894	83,445	-	-	934,339
Machinery and equipment	92,697	20,076	-	-	112,773
Other capital assets	56,607	26,069	-	-	82,676
Total accumulated depreciation	1,000,198	129,590	-	-	1,129,788
Total capital assets being depreciated	4,018,234	1,814,370	190,986	-	6,023,590
Business-type capital assets, net	\$ 4,430,437	\$ 1,814,370	\$ -	\$ -	\$ 6,244,807

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

Water	\$ 28,938
Sewer	63,856
Garbage	22,747
Other	14,049
Total depreciation expense	<u>\$ 129,590</u>

Note 7 - Transfers

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

There were no transfers for the year ending December 31, 2021.

Note 8 - Long-Term Debt

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2021:

Governmental Activities	Balance 01/01/2021	Additions	Reductions	Balance 12/31/2021	Due Within One Year
Compensated absences	\$ 21,954	\$ 7,040	\$ -	\$ 28,994	\$ -
Financing lease	46,408	-	6,271	40,137	6,352
General obligation loan	1,227,298	-	35,522	1,191,776	36,236
Total	\$ 1,295,660	\$ 7,040	\$ 41,793	\$ 1,260,907	\$ 42,588
Business-Type Activities	Balance 01/01/2021	Additions	Reductions	Balance 12/31/2021	Due Within One Year
Compensated absences	\$ 16,390	\$ -	\$ 3,564	\$ 12,826	\$ -
Sewer revenue bonds	475,782	-	8,940	466,842	-
Water revenue bonds	40,129	617,658	-	657,787	14,857
Total	\$ 532,301	\$ 617,658	\$ 12,504	\$ 1,137,455	\$ 14,857

Outstanding debt at December 31, 2021 (excluding compensated absences) consisted of the following issues:

General Obligation Loan

\$1,296,256 draw from a general Obligation Loan with a maximum amount of \$3,888,000; due in semi-annual installments of \$29,946 through May 2047; interest at 2% paid semi-annually; secured by special assessments on the Street Improvement District No. 2016-2.	<u>\$ 1,191,776</u>
Total General Obligation Loan	<u>\$ 1,191,776</u>

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Business-Type Activities

\$482,000 Sewer Revenue Bonds, Series 2019; due in annual installments of \$21,281 through May 2059; interest at 3.125% paid annually; liquidated with revenues generated for services provided out of the sewer fund. \$ 466,842

Water Revenue Bonds, Series 2020; Original bond amount was \$160,501. In 2020 \$120,372 of the debt was forgiven. In fiscal year 2022 interest payments will begin on March 1 and principal and interest payments will begin on September 1 with an interest rate of 1.5%. 367,787

Water Revenue Bonds, Series 2021; Original bond amount is for \$290,000. Annual interest and principal payments start April 15, 2022 with an interest rate of 1.75% through April 15, 2061. 290,000

Total business-type activities bonds \$ 1,124,629

The annual maturity of long-term debt of the City, except compensated absences payable, as of December 31, 2021 is as follows:

Year Ended December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	36,236	23,655	59,891	21,470	25,253	46,723
2023	36,964	22,927	59,891	20,979	24,817	45,796
2024	37,707	22,184	59,891	21,282	24,379	45,661
2025	38,465	21,426	59,891	22,594	23,932	46,526
2026-2030	204,238	95,217	299,455	118,948	112,432	231,380
2031-2035	225,606	73,850	299,455	134,119	99,271	233,390
2036-2040	249,209	50,246	299,455	149,622	84,343	233,965
2041-2045	275,282	24,173	299,455	167,662	67,473	235,135
2046-2050	88,069	1,767	89,836	189,475	48,305	237,780
2051-2055	-	-	-	145,336	28,034	173,370
2056-2061	-	-	-	135,845	9,754	145,599

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 9 – Financing Lease Obligations

The City entered into a capital lease for a Case-IH Farmall 120C for \$56,900 on May 19, 2020. The lease calls for annual payments of \$6,878 with interest incurring at 1.31% annually. Interest paid on finance leases as of December 31, 2021 was \$608. Accumulated amortization of assets under the finance lease for December 31, 2021 totaled \$14,270.

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

2022	\$ 6,878
2023	6,878
2024	6,878
2025	6,878
2026	6,878
Thereafter	<u>8,239</u>
Total minimum lease payments	42,629
Less: amount representing interest	<u>2,492</u>
Present value of net minimum lease payments	40,137
Less: current maturities of financing lease obligations	<u>6,352</u>
Long-term financing lease obligations	<u><u>\$ 33,785</u></u>

Note 10 - Fund Balance

At December 31, 2021, the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted for				
Municipal highway	-	113,442	-	113,442
Infrastructure & community en	-	227,758	-	227,758
City occupancy	-	-	25,175	25,175
special assessment	-	-	51,121	51,121
emergency	-	-	19,631	19,631
Committed for	-	-	-	-
Pool Sales Tax	-	-	2,609	2,609
Walking/Biking Path	-	-	9,870	9,870
Assigned for				
Capital projects	-	-	118,562	118,562
Tri-Centennial	-	-	3,149	3,149
Unassigned	<u>702,631</u>	<u>-</u>	<u>(8,177)</u>	<u>694,454</u>
	<u><u>\$ 702,631</u></u>	<u><u>\$ 341,200</u></u>	<u><u>\$ 221,940</u></u>	<u><u>\$ 1,265,771</u></u>

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 11 – OPEB Plan

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

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.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021, the Employer reported a liability of \$2,636 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the Employer's proportion was 0.025730 percent, which was an decrease of 0.002228 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Employer recognized OPEB expense of \$2,636. At December 31, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 821	\$ 392
Changes of assumptions	2,216	-
Net difference between projected and actual earnings on OPEB plan investments	-	4,903
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,988	2,256
Employer contributions prior period reduction	(1,527)	-
Employer contributions subsequent to the measurement date (see below)	1,599	-
Total	<u>\$ 9,097</u>	<u>\$ 7,551</u>

\$1,599 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022.

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Year ended December 31:		
2022	\$	385
2023		350
2024		132
2025		215
2026		392
Thereafter		-

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

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

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

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Discount rate. The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease 5.50%	Current Discount 6.50%	1% Increase 7.50%
Employer's proportionate share of the net OPEB liability	\$ 21,224	\$ 14,310	\$ 8,460

Note 12 – Pension Plan

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Pension Benefits

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

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

Death and Disability Benefits

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

At December 31, 2021, the Employer reported a liability of \$258,209 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2021, the Employer's proportion was 0.024773 percent, which was an decrease of 0.000486 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Employer recognized pension expense of \$56,424. At December 31, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,459	\$ 26,354
Changes of assumptions	285,787	372,607
Net difference between projected and actual earnings on pension plan investments	-	95,766
Changes in proportion and differences between employer contributions and proportionate share of contributions	71,452	27,353
Employer contributions prior to period reduction	(9,592)	-
Employer contributions subsequent to the measurement date (see below)	<u>10,183</u>	<u>-</u>
Total	<u><u>\$ 362,289</u></u>	<u><u>\$ 522,080</u></u>

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

\$10,183 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022.

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

Year ended December 31:		
2022	\$	14,979
2023		23,502
2024		30,053
2025		91,848
2026		-
Thereafter		-

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

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

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

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

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

CITY OF BEACH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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

	1% Decrease 3.64%	Current Discount 4.64%	1% Increase 5.64%
Employer's proportionate share of the net pension liability	\$ 410,639	\$ 258,209	\$ 131,287

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

Note 12 – Subsequent Events

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

CITY OF BEACH

**REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021**

CITY OF BEACH
SCHEDULE OF THE EMPLOYER'S SHARE OF NET OPEB LIABILITY
AND EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

	2018	2019	2020	2021
Employer's proportion of the net OPEB liability (asset)	0.011424%	0.023872%	0.023502%	0.02573%
Employer's proportionate share of the net OPEB liability (asset)	8,997	19,174	19,770	14,310
Employer's covered-employee payroll	125,006	266,375	267,917	280,528
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.20%	7.20%	7.38%	5.10%
Plan fiduciary net position as a percentage of the total OPEB liability	61.89%	63.13%	63.38%	76.63%

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

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

	2016	2017	2018	2019	2020	2021
Employer's proportion of the net pension liability (asset)	0.019326%	0.020053%	0.019823%	0.025609%	0.024287%	0.024773%
Employer's proportionate share of the net pension liability (asset)	131,414	195,436	318,621	300,156	764,074	258,209
Employer's covered-employee payroll	172,167	202,084	202,365	266,375	267,917	280,528
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.33%	96.71%	157.45%	112.68%	285.19%	92.04%
Plan fiduciary net position as a percentage of the total pension liability	77.15%	93.62%	152.96%	71.66%	48.91%	78.26%

*Complete data for this schedule is not available prior to 2016.

CITY OF BEACH
SCHEDULE OF THE EMPLOYER'S SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

	2018	2019	2020	2021
Statutorily required contribution	1,466	3,098	3,147	3,373
Contributions in relation to the statutory required contribution	(2,220)	(2,298)	(3,300)	(3,198)
Contribution deficiency (excess)	754	800	(153)	175
Employer's covered-employee payroll	125,006	266,375	267,917	280,528
Contributions as a percentage of covered-employee payroll	1.78%	0.86%	1.23%	1.14%

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

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

	2016	2017	2018	2019	2020	2021
Statutorily required contribution	13,078	14,631	14,674	19,394	18,971	20,688
Contributions in relation to the statutory required contribution	(12,258)	15,231	14,482	(14,350)	(20,611)	(19,974)
Contribution deficiency (excess)	820	(600)	192	5,044	(1,640)	714
Employer's covered-employee payroll	172,167	202,084	202,365	266,375	267,917	280,528
Contributions as a percentage of covered-employee payroll	7.60%	7.54%	7.16%	5.39%	7.69%	7.12%

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

CITY OF BEACH

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
COMPARISON OF BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 132,665	\$ 132,665	\$ 132,928	\$ 263
Licenses and permits	9,000	9,000	8,190	(810)
Intergovernmental revenues	198,200	198,200	280,494	82,294
Fines and forfeitures	100	100	25	(75)
Other income	10,000	10,000	104,949	94,949
Investment and royalty earnings	1,000	1,000	187	(813)
Total revenues	350,965	350,965	526,773	175,808
Expenditures				
General government	190,980	197,115	189,388	(7,727)
Public safety	117,085	121,085	119,893	(1,192)
Public works	31,000	165,400	167,703	2,303
Public health	2,500	5,700	5,675	(25)
Culture and recreation	2,500	3,000	2,825	(175)
Debt service	6,900	6,900	6,878	(22)
Total expenditures	350,965	499,200	492,362	(6,838)
Excess (deficiency) of revenues over expenditures	-	(148,235)	34,411	182,646
Net change in fund balance	<u>\$ -</u>	<u>\$ (148,235)</u>	34,411	<u>\$ 182,646</u>
Fund balance - beginning			<u>668,220</u>	
Fund balance - ending			<u>\$ 702,631</u>	

CITY OF BEACH

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
COMPARISON OF BUDGET TO ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Intergovernmental revenues	<u>\$ -</u>	<u>\$ 158,225</u>	<u>\$ 199,815</u>	<u>\$ 41,590</u>
Total revenues	-	158,225	199,815	41,590
Public works	<u>230,000</u>	<u>350,000</u>	<u>345,031</u>	<u>(4,969)</u>
Total expenditures	230,000	350,000	345,031	(4,969)
Excess (deficiency) of revenues over expenditures	(230,000)	(191,775)	(145,216)	46,559
Net change in fund balance	<u>\$ (230,000)</u>	<u>\$ (191,775)</u>	(145,216)	<u>\$ 46,559</u>
Fund balance - beginning			<u>486,416</u>	
Fund balance - ending			<u>\$ 341,200</u>	

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

Note 1 – OPEB:

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

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

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

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

Note 2 - Pension:

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

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

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

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



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

Independent Auditor's Report

The City Council

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beach as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Beach's basic financial statements, and have issued our report thereon dated April 15, 2024.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be a material weakness.

Compliance and Other Matters

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

City of Beach's Response to Findings

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

Purpose of this Report

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



Bismarck, ND
April 15, 2024

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

2021-001 Preparation of Annual GAAP Financial Statements
Material Weakness in Internal Control over Financial Reporting

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

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

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

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

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

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

2021-002 Segregation of Duties
Significant Deficiency in Internal Control over Financial Reporting

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

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

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

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

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

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

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