

**CITY OF BEULAH
BEULAH, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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CITY OF BEULAH, NORTH DAKOTA

CITY OFFICIALS

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

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Beulah, North Dakota

Report on the Audit of the Financial Statements

Disclaimer of Opinion and Unmodified Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beulah as of and for the year ended December 31, 2021, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the City of Beulah's basic financial statements as listed in the table of contents.

Summary of Opinions

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

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the City of Beulah. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information

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

Basis for Disclaimer of Opinion and Unmodified 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 Beulah, 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 unmodified audit opinions.

Matter Giving Rise to Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Beulah Housing Authority and Beulah Convention and Visitors Bureau have not been audited, and we were not engaged to audit the Beulah Housing Authority and Beulah Convention and Visitors Bureau financial statements as part of our audit of the City of Beulah's basic financial statements. Beulah Housing Authority and Beulah Convention and Visitors Bureau's financial activities are included in the City of Beulah's basic financial statements as a part of the aggregate discretely presented component unit and represent 21 percent, 7 percent, and 59 percent of the assets, net position, and revenues, respectively, of the City of Beulah, North Dakota's aggregate discretely presented component units.

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beulah's basic financial statements. The accompanying budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the modified cash basis of accounting. In our opinion, the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the list of city officials 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 May 31, 2022 on our consideration of the City of Beulah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Beulah's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Beulah's internal control over financial reporting and compliance.



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

May 31, 2022

CITY OF BEULAH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2021

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 4,460,656	\$ 1,003,603	\$ 5,464,259	\$ 716,262
Interfund balances	736,219	(736,219)	-	-
Total current assets	<u>5,196,875</u>	<u>267,384</u>	<u>5,464,259</u>	<u>716,262</u>
Non-current assets:				
Construction in progress	148,024	-	148,024	-
Land	-	-	-	10,000
Capital assets, net of accumulated depreciation	14,974,434	11,449,835	26,424,269	2,013,751
Total non-current assets	<u>15,122,458</u>	<u>11,449,835</u>	<u>26,572,293</u>	<u>2,023,751</u>
Total assets	<u>20,319,333</u>	<u>11,717,219</u>	<u>32,036,552</u>	<u>2,740,013</u>
<u>LIABILITIES</u>				
Current liabilities:				
Customer deposits held	-	18,789	18,789	-
Current portion of interest buydown payable	-	-	-	12,551
Current portion of long-term debt	542,016	-	542,016	111,386
Total current liabilities	<u>542,016</u>	<u>18,789</u>	<u>560,805</u>	<u>123,937</u>
Non-current liabilities:				
Interest buydown payable	-	-	-	74,338
Non-current portion of long-term debt	4,585,830	-	4,585,830	749,867
Total non-current liabilities	<u>4,585,830</u>	<u>-</u>	<u>4,585,830</u>	<u>824,205</u>
Total liabilities	<u>5,127,846</u>	<u>18,789</u>	<u>5,146,635</u>	<u>948,142</u>
<u>NET POSITION</u>				
Net investment in capital assets	9,994,612	11,449,835	21,444,447	1,162,498
Restricted for:				
City Improvements	1,640,507	-	1,640,507	-
Roads	512,364	-	512,364	-
Library	69,671	-	69,671	-
Emergency	143,585	-	143,585	-
Cemetery	88,826	-	88,826	-
Swimming Pool	117,330	-	117,330	-
Unrestricted	<u>2,624,592</u>	<u>248,595</u>	<u>2,873,187</u>	<u>629,373</u>
Total net position	<u>\$ 15,191,487</u>	<u>\$ 11,698,430</u>	<u>\$ 26,889,917</u>	<u>\$ 1,791,871</u>

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,075,089	\$ 102,925	\$ 286,593	\$ -	\$ (685,571)	\$ -	\$ (685,571)	
Public safety	730,455	38,625	13,291	-	(678,539)	-	(678,539)	
Highways and streets	1,883,480	-	-	-	(1,883,480)	-	(1,883,480)	
Culture and recreation	249,898	32,174	59,376	-	(158,348)	-	(158,348)	
Health and welfare	143,739	-	-	71,225	(72,514)	-	(72,514)	
Economic development	143,655	-	-	-	(143,655)	-	(143,655)	
Interest on long-term debt	194,822	-	-	-	(194,822)	-	(194,822)	
Total governmental activities	4,421,138	173,724	359,260	71,225	(3,816,929)	-	(3,816,929)	
Business-type activities:								
Water	1,168,008	850,932	-	-	-	(317,076)	(317,076)	
Sewer	184,680	328,231	-	-	-	143,551	143,551	
Garbage	441,192	427,865	-	-	-	(13,327)	(13,327)	
Storm water	8,432	19,268	-	-	-	10,836	10,836	
Curb stop	127	19,273	-	-	-	19,146	19,146	
Water meter	7,893	54,421	-	-	-	46,528	46,528	
Water equipment reserve	18,820	-	-	-	-	(18,820)	(18,820)	
Garbage equipment reserve	18,923	57,459	-	-	-	38,536	38,536	
Total business-type activities	1,848,075	1,757,449	-	-	-	(90,626)	(90,626)	
Total primary government	6,269,213	1,931,173	359,260	71,225	(3,816,929)	(90,626)	(3,907,555)	
Component units	\$ 468,631	\$ 448,336	\$ 3,881	\$ -				\$ (16,414)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					496,226	-	496,226	38,849
Property taxes, levied for special purposes					663,273	-	663,273	112,904
Sales taxes					555,167	-	555,167	-
State aid distribution					211,391	-	211,391	19,996
Municipal highway tax					167,942	-	167,942	-
County road and bridge tax					178	-	178	-
Coal conversion tax					311,812	-	311,812	-
Coal severance tax					572,816	-	572,816	-
Cigarette tax					7,093	-	7,093	-
Investment earnings					13,356	-	13,356	507
Gain (loss) on disposal of fixed assets					-	-	-	(145,000)
Transfers					487,544	(487,544)	-	-
Miscellaneous					190,683	-	190,683	1,351
Total general revenues and transfers					3,677,481	(487,544)	3,189,937	28,607
Change in net position					(139,448)	(578,170)	(717,618)	12,193
Net position - beginning of year, as originally stated					15,344,661	12,276,600	27,621,261	1,779,678
GASB 84 adjustment - see note 15					(13,726)	-	(13,726)	-
Net position - beginning of year					15,330,935	12,276,600	27,607,535	1,779,678
Net position - end of year					\$ 15,191,487	\$ 11,698,430	\$ 26,889,917	\$ 1,791,871

See Notes to the Financial Statements

CITY OF BEULAH
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>General Fund</u>	<u>Swimming Pool Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,888,373	\$ 117,330	\$ 2,454,953	\$ 4,460,656
Due from other funds	736,219	-	-	736,219
Total assets	<u>\$ 2,624,592</u>	<u>\$ 117,330</u>	<u>\$ 2,454,953</u>	<u>\$ 5,196,875</u>
<u>FUND BALANCES</u>				
Restricted	\$ -	\$ 117,330	\$ 2,454,953	\$ 2,572,283
Unassigned	2,624,592	-	-	2,624,592
Total fund balances	<u>\$ 2,624,592</u>	<u>\$ 117,330</u>	<u>\$ 2,454,953</u>	<u>\$ 5,196,875</u>

See Notes to the Financial Statements

CITY OF BEULAH
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION -
MODIFIED CASH BASIS
DECEMBER 31, 2021

Total Governmental Funds Balance	\$ 5,196,875
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	15,122,458
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(5,127,846)</u>
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Net Position of Governmental Activities	<u><u>\$ 15,191,487</u></u>
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See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Swimming Pool Fund	Non-major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Taxes	\$ 496,226	\$ -	\$ 622,418	\$ 1,118,644
Special assessments and interest	-	-	40,855	40,855
License and permits	21,408	-	-	21,408
Intergovernmental	1,116,581	221,097	755,222	2,092,900
Charges for services	81,517	52,591	32,028	166,136
Fines and forfeitures	38,625	-	146	38,771
Interest	12,240	-	1,116	13,356
COVID relief funding	40,169	-	-	40,169
Miscellaneous	137,298	1,298	123,310	261,906
Total revenues	<u>1,944,064</u>	<u>274,986</u>	<u>1,575,095</u>	<u>3,794,145</u>
<u>EXPENDITURES</u>				
Current:				
General government	871,035	5,635	193,845	1,070,515
Public safety	730,455	-	-	730,455
Highways and streets	430,191	-	406,615	836,806
Culture and recreation	20,820	121,647	107,431	249,898
Health and welfare	17,018	-	126,721	143,739
Economic development	114,651	-	29,004	143,655
Debt Service:				
Principal retirement	-	869,171	723,768	1,592,939
Interest and fiscal charges	-	71,574	118,418	189,992
Capital outlays	43,825	-	438,586	482,411
Total expenditures	<u>2,227,995</u>	<u>1,068,027</u>	<u>2,144,388</u>	<u>5,440,410</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(283,931)</u>	<u>(793,041)</u>	<u>(569,293)</u>	<u>(1,646,265)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	320,079	-	1,097,297	1,417,376
Transfers out	(639,349)	-	(290,483)	(929,832)
Proceeds from issuance of debt	-	817,917	438,860	1,256,777
Total other financing sources and uses	<u>(319,270)</u>	<u>817,917</u>	<u>1,245,674</u>	<u>1,744,321</u>
Net change in fund balances	(603,201)	24,876	676,381	98,056
Fund balance - beginning of year, originally stated	3,227,793	92,454	1,792,298	5,112,545
GASB 84 adjustment - see note 15	-	-	(13,726)	(13,726)
Fund balances - beginning of year	<u>3,227,793</u>	<u>92,454</u>	<u>1,778,572</u>	<u>5,098,819</u>
Fund balances - end of year	<u>\$ 2,624,592</u>	<u>\$ 117,330</u>	<u>\$ 2,454,953</u>	<u>\$ 5,196,875</u>

See Notes to the Financial Statements

CITY OF BEULAH
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Net Change in Fund Balance - Governmental Funds		\$ 98,056
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlay	482,411	
Depreciation expense	<u>(1,046,674)</u>	
Excess of capital outlay over depreciation expense		(564,263)
The loss on the sale of capital assets is a decrease in net position.		(4,574)
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities.		(1,256,777)
Government wide statements amortize discount on bonds payable over the life of the debt, while governmental funds recognize bond proceeds at issuance amount.		(4,830)
Governmental funds report repayment of principal on long-term liabilities as an expenditure because the repayments use current financial resources. In contrast, the repayments reduce the balance of the long-term liabilities in the Statement of Net Position.		
Note payable	64,955	
Bonds payable	623,406	
Capital lease	<u>904,579</u>	
Total long-term debt repayment		<u>1,592,940</u>
Change in Net Position		<u>\$ (139,448)</u>

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non-major Enterprise Funds	Total Enterprise Funds
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 411,086	\$ 125,745	\$ 5,111	\$ 461,661	\$ 1,003,603
Capital assets:					
Infrastructure	11,919,545	970,965	727,732	-	13,618,242
Equipment	65,050	29,489	550,604	162,328	807,471
Less: Accumulated depreciation	(2,046,012)	(178,456)	(667,969)	(83,441)	(2,975,878)
Total capital assets	9,938,583	821,998	610,367	78,887	11,449,835
Total assets	10,349,669	947,743	615,478	540,548	12,453,438
<u>LIABILITIES</u>					
Current liabilities:					
Due to other funds	-	-	736,219	-	736,219
Customer deposits held	18,789	-	-	-	18,789
Total liabilities	18,789	-	736,219	-	755,008
<u>NET POSITION</u>					
Net investment in capital assets	9,938,583	821,998	610,367	78,887	11,449,835
Unrestricted	392,297	125,745	(731,108)	461,661	248,595
Total net position	\$ 10,330,880	\$ 947,743	\$ (120,741)	\$ 540,548	\$ 11,698,430

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non-major Enterprise Funds	Total Enterprise Funds
<u>OPERATING REVENUES</u>					
Charges for services	\$ 850,932	\$ 327,722	\$ 427,865	\$ 150,367	\$ 1,756,886
Miscellaneous	-	509	-	54	563
Total operating revenues	850,932	328,231	427,865	150,421	1,757,449
<u>OPERATING EXPENSES</u>					
Salaries and employee benefits	358,704	63,569	206,365	-	628,638
General maintenance and supplies	244,613	30,478	105,595	35,375	416,061
Chemicals and additives	67,319	26,973	-	-	94,292
Utilities	83,533	26,460	5,271	-	115,264
Fuel and vehicles	4,332	1,820	25,391	-	31,543
Depreciation	409,507	35,380	98,570	18,820	562,277
Total operating expenses	1,168,008	184,680	441,192	54,195	1,848,075
Operating income (loss)	(317,076)	143,551	(13,327)	96,226	(90,626)
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Transfers in	-	-	-	40,000	40,000
Transfers out	(281,680)	(127,630)	(85,498)	(32,736)	(527,544)
Change in net position	(598,756)	15,921	(98,825)	103,490	(578,170)
Net position - beginning of year	10,929,636	931,822	(21,916)	437,058	12,276,600
Net position - end of year	<u>\$ 10,330,880</u>	<u>\$ 947,743</u>	<u>\$ (120,741)</u>	<u>\$ 540,548</u>	<u>\$ 11,698,430</u>

See Notes to the Financial Statements

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

	Enterprise Funds				
	Water	Sewer	Garbage	Non-major enterprise funds	Total
Cash flows from operating activities:					
Receipts from customers	\$ 850,932	\$ 327,722	\$ 427,865	\$ 150,367	\$ 1,756,886
Receipts from others	-	509	-	54	563
Payments to suppliers	(399,797)	(85,731)	(136,257)	(35,375)	(657,160)
Payments to employees	(358,704)	(63,569)	(206,365)	-	(628,638)
Net cash provided (used) by operating activities	92,431	\$ 178,931	85,243	115,046	471,651
Cash flows from noncapital and related financing activities:					
Increase (decrease) in customer deposits	4,030	-	-	-	4,030
Transfers in (out)	(281,680)	(127,630)	(85,498)	7,264	(487,544)
Net cash provided (used) by noncapital and related financing activities	(277,650)	(127,630)	(85,498)	7,264	(483,514)
Cash flows from capital and related financing activities:					
Purchase of property and equipment	(32,566)	(6,697)	-	(5,048)	(44,311)
Net cash provided (used) by capital and related financing activities	(32,566)	(6,697)	-	(5,048)	(44,311)
Net change in cash and cash equivalents	(217,785)	44,604	(255)	117,262	(56,174)
Cash and cash equivalents - January 1	628,871	81,141	5,366	344,399	1,059,777
Cash and cash equivalents - December 31	<u>\$ 411,086</u>	<u>\$ 125,745</u>	<u>\$ 5,111</u>	<u>\$ 461,661</u>	<u>\$ 1,003,603</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (317,076)	\$ 143,551	\$ (13,327)	\$ 96,226	\$ (90,626)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	409,507	35,380	98,570	18,820	562,277
Net cash provided (used) by operating activities	<u>\$ 92,431</u>	<u>\$ 178,931</u>	<u>\$ 85,243</u>	<u>\$ 115,046</u>	<u>\$ 471,651</u>

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2021

	Pension Plan Fund	Parks & Rec Retirement Fund	Custodial Funds	Total Fiduciary Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 16,432	\$ 818	\$ -	\$ 17,250
<u>LIABILITIES AND NET POSITION</u>				
Unrestricted	16,432	818	-	17,250
Total net position	<u>\$ 16,432</u>	<u>\$ 818</u>	<u>\$ -</u>	<u>\$ 17,250</u>

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF CHANGES IN NET POSITION – MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Pension Plan Fund	Parks & Rec Retirement Fund	Custodial Fund	Total Fiduciary Funds
<u>ADDITIONS</u>				
Intergovernmental	\$ -	\$ 74,272	\$ 442,194	\$ 516,466
Retirement Reimbursements	1,248,925	14,705	-	1,263,630
Total additions	1,248,925	88,977	442,194	1,780,096
<u>DEDUCTIONS</u>				
State aid	-	74,272	-	74,272
Retirement	1,246,219	13,887	-	1,260,106
Sales tax	-	-	442,194	442,194
Total deductions	1,246,219	88,159	442,194	1,776,572
Change in net position	2,706	818	-	3,524
Net position - beginning of year, as previously stated	-	-	-	-
Prior period adjustment, see note 16	13,726	-	-	13,726
Net position - beginning of year, restated	13,726	-	-	13,726
Net position - end of year	\$ 16,432	\$ 818	\$ -	\$ 17,250

See Notes to the Financial Statements

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DESCRIPTION OF THE CITY

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Financial Reporting Entity

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

Complete financial statements for the Airport Authority and Job Development Authority may be obtained at the City's administrative office. These component units were audited by Brady, Martz and Associates, P.C., for the year ended December 31, 2021, and separate reports were issued.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

Fund Accounting

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Governmental Funds

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

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

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

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

Major Funds

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

Governmental

General fund as described above.

Swimming Pool fund, a debt service fund, is used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs for the swimming pool.

Proprietary

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

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

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Fiduciary

Fiduciary Funds – The reporting focus of fiduciary funds is on net position and changes in net position. The City’s fiduciary funds include the following funds:

Pension Plan Fund; a fiduciary fund, is used to account for the restricted net position for the pension plan for employees.

Parks and Recreation Retirement Fund, a fiduciary fund, is used to account for the restricted net position for the retirement plan for the parks and recreation employees.

Custodial Fund; a fiduciary fund, is used to account for the sales tax funds levied and paid to the Parks and Recreation Department for the Wellness Center.

Measurement Focus and Basis of Accounting

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

Measurement Focus

Government-wide financial statements

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

Fund financial statements

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

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Basis of Accounting

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

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

Budgets and Budgetary Accounting

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

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

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

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Cash and Cash Equivalents

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

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

Capital Assets

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

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

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

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

Long-Term Debt

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

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

wide statements. In the fund financial statements, governmental fund types recognize bond discounts during the current period.

Equity Classifications

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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. Management of the City has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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

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

Interfund Transactions

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

- 1) Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

Property Taxes

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

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

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

Insurance Recoveries

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

Use of Estimates

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

NOTE 3 DEPOSITS

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Credit Risk:

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

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

As of December 31, 2021, the City had investments in certificates of deposits as authorized by statutes. These amounts are classified as cash and cash equivalents on the financial statements in accordance with the City's policy.

Custodial Credit Risk

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

The City maintains cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2021, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$7,352,418 of the City's deposits are covered by pledged securities held in the City's name. The total securities pledged exceed 110% of the uninsured balance.

Concentration of Credit Risk:

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances between primary government funds at December 31, 2021 is:

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

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

NOTE 5 CAPITAL ASSETS

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

	<u>Balance 1/1/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/21</u>
Governmental Activities				
Capital assets not being depreciated:				
Construction in progress	<u>\$ 88,756</u>	<u>\$ 153,407</u>	<u>\$ (94,139)</u>	<u>\$ 148,024</u>
Capital assets being depreciated:				
Equipment	1,629,559	171,953	(82,803)	1,718,709
Infrastructure	<u>18,527,871</u>	<u>251,188</u>	<u>-</u>	<u>18,779,059</u>
Total capital assets being depreciated	<u>20,157,430</u>	<u>423,141</u>	<u>(82,803)</u>	<u>20,497,768</u>
Less accumulated depreciation:				
Equipment	1,070,323	255,057	(78,231)	1,247,149
Infrastructure	<u>3,484,568</u>	<u>791,617</u>	<u>-</u>	<u>4,276,185</u>
Total accumulated depreciation	<u>4,554,891</u>	<u>1,046,674</u>	<u>(78,231)</u>	<u>5,523,334</u>
Total capital assets being depreciated, net	<u>15,602,539</u>	<u>(623,533)</u>	<u>(4,572)</u>	<u>14,974,434</u>
Net Capital Assets	<u>\$ 15,691,295</u>	<u>\$ (470,126)</u>	<u>\$ (98,711)</u>	<u>\$ 15,122,458</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

	Balance 1/1/21	Additions	Deletions	Balance 12/31/21
Business-type Activities				
Capital assets being depreciated:				
Equipment	\$ 802,426	\$ 5,045	\$ -	\$ 807,471
Infrastructure	13,578,978	39,264		13,618,242
Total capital assets being depreciated	<u>14,381,404</u>	<u>44,309</u>	<u>-</u>	<u>14,425,713</u>
Less accumulated depreciation:				
Equipment	598,795	107,321	-	706,116
Infrastructure	1,814,808	454,954	-	2,269,762
Total accumulated depreciation	<u>2,413,603</u>	<u>562,275</u>	<u>-</u>	<u>2,975,878</u>
Net Capital Assets	<u>\$ 11,967,801</u>	<u>\$ (517,966)</u>	<u>\$ -</u>	<u>\$ 11,449,835</u>
	Balance 1/1/21	Additions	Deletions	Balance 12/31/21
Component Units *				
Capital assets not being depreciated:				
Construction in progress	\$ 191,590	\$ -	\$ (191,590)	\$ -
Land	10,000	-	-	10,000
Capital assets being depreciated:				
Equipment	104,169	-	(15,070)	89,099
Buildings	1,592,006	-	(159,000)	1,433,006
Building improvements	343,625	320,176	-	663,801
Infrastructure	1,138,291	-	-	1,138,291
Total capital assets being depreciated	<u>3,178,091</u>	<u>320,176</u>	<u>(174,070)</u>	<u>3,324,197</u>
Less accumulated depreciation:				
Equipment	63,270	20,832	(6,279)	77,823
Buildings	492,466	38,996	(21,377)	510,085
Building improvements	-	-	-	-
Infrastructure	680,230	42,307	-	722,537
Total accumulated depreciation	<u>1,235,966</u>	<u>102,135</u>	<u>(27,656)</u>	<u>1,310,445</u>
Total capital assets being depreciated, net	<u>1,942,125</u>	<u>218,041</u>	<u>(146,414)</u>	<u>2,013,752</u>
Net Capital Assets	<u>\$ 2,143,715</u>	<u>\$ 218,041</u>	<u>\$ (338,004)</u>	<u>\$ 2,023,752</u>

* The component units include the Housing Authority, and Convention and Visitors Bureau which were unaudited. See the Independent Auditor's report for more information. As of December 31, 2021, the Housing Authority, and Convention and Visitors Bureau balances include:

Buildings	\$576,615
Accumulated depreciation – buildings	238,333

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Depreciation expense 18,333

Depreciation expense for the governmental activities of \$1,046,674 was charged to Highways and Streets in the Statement of Activities.

The City has entered into a lease agreement as lessee for financing the acquisition of a dump truck. The lease qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. Below are details on the capitalized asset as of December 31, 2021.

Equipment	\$ 109,503
Accumulated depreciation	<u>(29,201)</u>
Total	<u>\$ 80,302</u>

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

NOTE 6 LONG TERM DEBT

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

	Balance 1/1/21	Additions	Reductions	Balance 12/31/21	Due Within One Year
Governmental Activities					
Note payable	\$ 204,037	\$ 1,110,051	\$ (64,955)	\$ 1,249,133	\$ 231,133
Capital lease	941,120	-	(904,579)	36,541	36,541
Special assessments	2,375,000	-	(515,000)	1,860,000	165,000
Revenue bonds payable	1,961,352	146,726	(108,406)	1,999,672	109,342
Bond discount	(22,330)	-	4,830	(17,500)	-
Total	<u>\$ 5,459,179</u>	<u>\$ 1,256,777</u>	<u>\$ (1,588,110)</u>	<u>\$ 5,127,846</u>	<u>\$ 542,016</u>
Component Units *					
Notes payable	\$ 356,900	\$ 139,561	\$ (72,865)	\$ 423,596	\$ 99,578
Revenue bonds payable	448,945	-	(11,289)	437,656	11,808
Total	<u>\$ 805,845</u>	<u>\$ 139,561</u>	<u>\$ (84,154)</u>	<u>\$ 861,252</u>	<u>\$ 111,386</u>

*The component units include the Housing Authority, and Convention and Visitors Bureau which were unaudited. See the Independent Auditor's report for more information. As of December 31, 2021, the Housing Authority and Convention and Visitors Bureau balances include:

Revenue bonds payable	\$437,656
Payments made on bonds	(11,289)
Payments made on notes	(4,172)
Due within one year - bonds	11,808

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Long term debt at December 31, 2021 consists of the following individual issues:

Governmental Activities:	Balance 12/31/21
<u>Note payable:</u>	
Note payable dated October 3, 2018. Payable in annual installments of \$34,580 beginning October 3, 2019, including interest at 3% through October 3, 2023. Paid by the Equipment Service Fund. Secured by Cat Loader.	\$ 66,167
Note payable dated August 11, 2021. Payable in quarterly installments of \$37,337 beginning January 1, 2022, including interest at 3% through October 1, 2027. Paid by the Swimming Pool Fund. Secured by swimming pool.	817,917
Note payable dated March 24, 2021. Payable in semiannual installments beginning October 15, 2021, including interest at 1.4% through April 15, 2026. Paid by the Infrastructure Revolving Fund. Secured by certificate of indebtedness, series 2021.	203,200
Note payable dated July 14, 2021. Payable in annual installments of \$17,788 beginning February 1, 2022, including interest at 2.85% through February 1, 2025. Paid by the Equipment Service Fund. Secured by police cars.	67,134
Note payable dated September 18, 2019. Payable in annual installments of \$6,562 beginning April 18, 2020, including interest at 2% through September 18, 2029. Paid by the Intersection Project Fund. Secured by certificate of indebtedness, series 2019.	94,715
Total notes payable	1,249,133
<u>Capital lease:</u>	
Capital lease for acquisition of dump truck. Payable in annual installments of \$37,710, beginning October 1, 2020, including interest at 3.20% through October 1, 2022. Paid by the Equipment Service fund.	36,541
Total Capital Leases	36,541

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Special assessments:

\$800,000 Refunding Improvement Bonds of 2015 (Street Improvement District #23) - due in annual principal installments of \$50,000 to \$55,000 through May 1, 2030; semi-annual interest payments with interest rates of 1.50% to 3.50% (less discount of \$10,400 as of December 31, 2017). Paid by the Street Improvement District #23 fund. \$ 462,800

\$1,030,000 Refunding Improvement Bonds of 2016 (Street Improvement District #24; Street Improvement District #25) - due in annual principal installments of \$60,000 to \$80,000 through May 1, 2031; semi-annual interest payments with interest rates of 1.50% to 3.15% (less discount of \$14,420 as of December 31, 2017). Paid by the Street Improvement District #24 and Street Improvement District #25 funds. 704,700

\$750,000 Refunding Improvement Bonds of 2019 (Street Improvement District #22; Street Improvement District #23) - due in annual principal installments of \$45,000 to \$60,000 through May 1, 2034; semi-annual interest payments with an interest rate of 2.25%. Paid by the Street Improvement District #22 and Street Improvement District #23 funds. 675,000

Total special assessments 1,842,500

Revenue bonds payable:

\$586,800 Revenue Bonds of 2014 (Sewer Project) - due in annual principal installments of \$25,000 to \$40,000 through September 1, 2033; semi-annual interest payments with interest rate of 2.00%. Paid by the South Lagoon Revenue Bond fund. 400,000

\$480,000 Revenue Bonds of 2017 (Water Meter Project), \$441,097 issued as of December 31, 2017 - due in annual principal installments of \$20,000 to \$30,000 through September 1, 2037; semi-annual interest payments with interest rate of 1.50%. Paid by the Water Meter Project fund. 345,000

\$880,000 Revenue Bonds of 2017 (Water Plant Project) - due in annual installments of \$51,193 beginning May 1, 2018, including interest at 1.50% through May 1, 2037. Paid by the Water Plant Improvements fund. 723,672

\$530,000 Revenue Bonds of 2017 (Water Treatment Plant), \$207,774 issued as of December 31, 2019 - due in annual principal installments of \$20,000 to \$30,000 through September 1, 2037; semi-annual interest payments with interest rate of 1.50%. Paid by the Water Plant Improvements fund. 152,000

\$345,000 Revenue Bonds of 2018 (Lime Sludge Removal Project), \$260,589 issued as of December 31, 2019 - due in annual principal installments of \$8,000 to \$15,000 through September 1, 2048; semi-annual interest payments with interest rate of 1.50%. Paid by the South Lagoon Lime Removal Project Fund. 379,000

Total revenue bonds payable 1,999,672

Total long term debt - Governmental activities \$ 5,127,846

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Component Units:

Notes payable:

\$111,300 Note payable - due in monthly payments of \$787 through June 2027; interest rate of 5.75%. Secured by separate mortgage dated September 18, 2006. \$ 47,726

\$88,500 Note payable - due in monthly payments of \$950 through May 2021; interest rate of 3.5%. Secured by assignment of contract for deed dated July 17, 2018. 58,274

\$210,439 Note payable - due in monthly payments of \$2,124 through August 2030; interest rate of 3.0%. Secured by real estate. Dated August 2020. 317,596

Total notes payable 423,596

Revenue bonds payable:

\$550,000 Revenue Bonds of 2008 - due in monthly installments of \$2,605 through February 1, 2044; interest rate of 4.50%. (Housing Authority - unaudited) 437,656

Total long term debt - Component units \$ 861,252

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

The future expected requirements to amortize long-term debt, including interest, as of December 31, 2021 are as follows:

Governmental Activities

	Notes Payable		Capital Leases		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 231,133	\$ 27,442	\$ 36,541	\$ 1,169	\$ 165,000	\$ 47,948
2023	234,741	24,039	-	-	165,000	43,903
2024	206,417	17,988	-	-	170,000	39,656
2025	211,843	12,712	-	-	175,000	35,153
2026	176,335	7,332	-	-	170,000	30,668
2027-2031	188,664	-	-	-	845,000	78,889
2032-2036	-	-	-	-	170,000	5,850
Bond discount	-	-	-	-	(17,500)	17,500
	<u>\$ 1,249,133</u>	<u>\$ 89,513</u>	<u>\$ 36,541</u>	<u>\$ 1,169</u>	<u>\$ 1,842,500</u>	<u>\$ 299,567</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

	Revenue Bonds Payable		Total	
	Principal	Interest	Principal	Interest
2022	\$ 109,342	\$ 31,991	\$ 542,016	\$ 108,550
2023	109,947	30,201	509,688	98,143
2024	110,561	28,402	486,978	86,046
2025	112,185	26,594	499,028	74,459
2026	113,817	24,761	460,152	62,761
2027-2031	607,915	67,076	1,641,579	145,965
2032-2036	561,220	24,171	731,220	30,021
2037-2041	156,685	1,057	156,685	1,057
2042-2046	83,000	6,405	83,000	6,405
2047-2048	35,000	795	35,000	795
Bond discount	-	-	(17,500)	17,500
	<u>\$ 1,999,672</u>	<u>\$ 241,453</u>	<u>\$ 5,127,846</u>	<u>\$ 631,702</u>

Component Units *

	Notes Payable		Revenue Bonds Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 99,578	\$ 2,364	\$ 11,808	\$ 19,452	\$ 111,386	\$ 21,816
2023	41,945	10,793	12,350	18,910	54,295	29,703
2024	43,435	9,555	12,865	18,395	56,300	27,950
2025	44,983	8,042	13,509	17,751	58,492	25,793
2026	46,591	4,657	14,129	17,131	60,720	21,788
2026-2030	147,064	12,315	80,948	75,352	228,012	87,667
2031-2035	-	-	101,311	54,989	101,311	54,989
2036-2040	-	-	126,876	29,424	126,876	29,424
2041-2045	-	-	63,860	3,254	63,860	3,254
	<u>\$ 423,596</u>	<u>\$ 47,726</u>	<u>\$ 437,656</u>	<u>\$ 254,658</u>	<u>\$ 861,252</u>	<u>\$ 302,384</u>

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 7 RISK MANAGEMENT

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

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

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

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

NOTE 8 EMPLOYEE RETIREMENT PLANS

New York Life Defined Contribution Plan

The City sponsors a defined contributions pension plan administered by Mainstay through New York Life for employees hired prior to September 1, 2019. The plan and contribution requirements were established and may be amended by the City Council. This plan requires employer contributions of 8% of each participating employee's gross wage. City contributions to the retirement program amounted to \$25,076 in 2021, \$30,741 in 2020, and \$60,065 in 2019. The plan does not include provisions for employee contributions. The City's policy is to fund all pension costs accrued. Since the pension plan is a "money purchase plan," actuarially computed vested benefits do not exceed the pension plan. This plan is closed to new participants.

NDPERS Main Retirement System

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

Pension Benefits

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

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.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

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

At December 31, 2021, if the City were to report on the full accrual basis, a liability of \$479,646 for its proportionate share of the net pension liability would have been reported. 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 is based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2021, the Employer's proportion was 0.0460180 percent, which is an increase of 0.007579 from the prior year. There were no deferred inflows or outflows of resources report on the City's financial statements as they are reporting on the modified cash basis. The employer's pension contributions were \$98,403 for the year ended December 31, 2021.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Actuarial assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
Global Real Assets	19%	4.77%

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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 1.92%; and the resulting Single Discount Rate is 7.00%.

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

NOTE 9 OTHER POST RETIREMENT BENEFITS

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

OPEB Benefits

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

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

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

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

At December 31, 2021, if the City were to report on the full accrual basis, a liability of \$36,752 would have been reported. 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, 2021 the Employer's proportion was 0.06608 percent, which is a 0.004965 increase from the prior year. There were no deferred inflows or outflows of resources reported on the City's financial statements as they are reporting on the modified cash basis. The Employer's OPEB contributions were \$11,486 for the year ended December 31, 2021.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
International Equities	26%	6.25%
Core-Plus Fixed Income	35%	0.50%

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 rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NDPERS issues a publicly available financial report that includes financial statements and the

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 10 CONCENTRATIONS OF CREDIT RISK

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

NOTE 11 FUND BALANCE/NET POSITION

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

	General Fund	Swimming Pool Fund	Non-major Governmental Funds	Total
Restricted for:				
City Improvements	\$ -	\$ -	\$ 1,640,507	\$ 1,640,507
Roads	-	-	512,364	512,364
Library	-	-	69,671	69,671
Emergency	-	-	143,585	143,585
Cemetery	-	-	88,826	88,826
Swimming Pool	-	117,330	-	117,330
Unassigned	2,624,592	-	-	2,624,592
	<u>\$ 2,624,592</u>	<u>\$ 117,330</u>	<u>\$ 2,454,953</u>	<u>\$ 5,196,875</u>

NOTE 12 LEGAL COMPLIANCE (BUDGETS)

The City's governing board amended the budgets during the year ended December 31, 2021. Amounts recorded for original and final budget are shown in the budget to actual schedules included with the supplementary information.

Expenditures exceeded budget in the general fund and the swimming pool fund by \$162,405 and \$817,917, respectively. No remedial action is anticipated or required by the City regarding these excess expenditures.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

NOTE 13 TRANSFERS

The following is a reconciliation of transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2021:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General	\$ 320,079	\$ 639,349
Non-major	1,097,297	290,483
Proprietary Funds:		
Water	-	281,680
Garbage	-	85,498
Non-major	40,000	160,366
	<u>\$ 1,457,376</u>	<u>\$ 1,457,376</u>

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

NOTE 14 NEW ACCOUNTING PRONOUNCEMENTS

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

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

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

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2021

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

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

NOTE 15 CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION AND FUND BALANCE

The City implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, beginning net position in the fiduciary funds has been restated to reflect the related fund balance of resources as of January 1, 2021 as follows:

There was an increase to net position by \$13,726.

NOTE 16 COMMITMENTS

The City has a geographic information systems project and the corridor planning projects are in progress as of December 31, 2021. These projects have an expected total cost of approximately \$250,000 and has a remaining estimated cost to complete of approximately \$184,331.

NOTE 17 SUBSEQUENT EVENTS

No significant events occurred subsequent to the City's year end. Subsequent events have been evaluated through May 31, 2022, which is the date these financial statements were available to be issued.

CITY OF BEULAH
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Taxes	\$ 1,517,166	\$ 496,226	\$ (1,020,940)
Licenses and permits	20,275	21,408	1,133
Intergovernmental	165,990	1,116,581	950,591
Charges for services	13,820	81,517	67,697
Fines and forfeits	27,500	38,625	11,125
Interest	10,000	12,240	2,240
COVID relief funding	-	40,169	40,169
Miscellaneous	71,200	137,298	66,098
Total revenues	<u>1,825,951</u>	<u>1,944,064</u>	<u>118,113</u>
EXPENDITURES			
Current:			
General government	921,250	871,035	(50,215)
Public safety	673,680	730,455	56,775
Highways and streets	345,900	430,191	84,291
Culture and recreation	24,000	20,820	(3,180)
Health and welfare	3,500	17,018	13,518
Economic development	97,260	114,651	17,391
Capital outlays	-	43,825	43,825
Total expenditures	<u>2,065,590</u>	<u>2,227,995</u>	<u>162,405</u>
Excess (deficiency) of revenues over expenditures	<u>(239,639)</u>	<u>(283,931)</u>	<u>(44,292)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	323,000	320,079	(2,921)
Transfers out	<u>(686,563)</u>	<u>(639,349)</u>	<u>47,214</u>
Total other financing sources (uses)	<u>(363,563)</u>	<u>(319,270)</u>	<u>44,293</u>
Net change in fund balances	<u>\$ (603,202)</u>	<u>(603,201)</u>	<u>\$ 1</u>
Fund balance - beginning of year		<u>3,227,793</u>	
Fund balance - end of year		<u>\$ 2,624,592</u>	

CITY OF BEULAH
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS
SWIMMING POOL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget
REVENUES			
Intergovernmental	\$ 234,986	\$ 221,097	\$ (13,889)
Charges for services	40,000	52,591	12,591
Miscellaneous	-	1,298	1,298
Total revenues	<u>274,986</u>	<u>274,986</u>	<u>-</u>
EXPENDITURES			
Current:			
General government	6,000	5,635	(365)
Culture and recreation	121,110	121,647	537
Debt service:			
Principal retirement	123,000	869,171	746,171
Interest and fiscal charges	-	71,574	71,574
Total expenditures	<u>250,110</u>	<u>1,068,027</u>	<u>817,917</u>
Excess (deficiency) of revenues over expenditures	<u>24,876</u>	<u>(793,041)</u>	<u>(817,917)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	-	817,917	817,917
Total other financing sources (uses)	<u>-</u>	<u>817,917</u>	<u>817,917</u>
Net change in fund balances	<u>\$ 24,876</u>	<u>24,876</u>	<u>\$ -</u>
Fund balance - beginning of year		<u>92,454</u>	
Fund balance - end of year		<u>\$ 117,330</u>	

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

To the City Council
City of Beulah, North Dakota

We have audited, in accordance with the 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, the aggregate discretely presented component units (except the Housing Authority and the Convention and Visitor's Bureau), each major fund, and the aggregate remaining fund information of City of Beulah, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Beulah's basic financial statements and have issued our report thereon dated May 31, 2022. In our report, our opinion was modified due to the fact the City had unaudited component units. Except for the scope limitation discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-003 to be a significant deficiency.

Report on Compliance and Other Matters

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

City of Beulah's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Beulah's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Beulah's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



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

May 31, 2022

CITY OF BEULAH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021

2021-001: Financial Statement Preparation - Material Weakness

Criteria

An appropriate system of internal control requires the City to prepare financial statements in compliance with the modified cash basis of accounting.

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

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

2021-002: Proposition of Journal Entries - Material Weakness

Criteria

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

Condition

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

Cause

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

CITY OF BEULAH
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2021

Effect

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

Recommendation

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

Views of Responsible Officials

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

2021-003: Airport Lack of Segregation of Duties – Significant Deficiency

Criteria

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

Condition

The Airport Authority has one staff person performing most of the accounting functions including recording, reconciling and this person also is one of the check signors authorizing payments.

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Action

The Authority will review duties of employees to determine if it is cost effective to obtain proper segregation of duties.