

**BEULAH PARK DISTRICT  
BEULAH, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

## TABLE OF CONTENTS

	Page
<b>PARK DISTRICT OFFICIALS (UNAUDITED)</b>	1
<b>INDEPENDENT AUDITOR'S REPORT</b>	2
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position - Modified Cash Basis	6
Statement of Activities - Modified Cash Basis	7
Balance Sheet – Governmental Funds - Modified Cash Basis	8
Reconciliation of the Governmental Funds Balance Sheet to the Government Wide Statement of Net Position - Modified Cash Basis	9
Statement of receipts, disbursements and changes in fund balances – governmental funds - Modified Cash Basis	10
reconciliation of the governmental funds Statement of receipts, disbursements and changes in fund balances to the government wide statement of activities- Modified Cash Basis	11
Notes to the financial statements	12
<b>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</b>	24
Schedule of Findings and Responses	26

**BEULAH PARK DISTRICT**  
PARK DISTRICT OFFICIALS (UNAUDITED)  
DECEMBER 31, 2021

Rick Alexander	President
Kendra Hellebust	Vice President
Logan Kessler	Commissioner
Kris Martens	Commissioner
Kevin Kalvoda	Commissioner
Robert Mohl	Park Superintendent
Debra Bonebrake	Office Manager

## INDEPENDENT AUDITOR'S REPORT

To the Board of Park Commissioners  
Beulah Park District  
Beulah, North Dakota

### Report on the Audit of the Financial Statements

#### ***Qualified and Unmodified Opinions***

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Beulah Park District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Summary of Opinion Units*

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
General Fund	Unmodified
Facilities Fund	Unmodified
Wellness Center Fund	Unmodified
Special Assessment Fund	Unmodified

#### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "Matters Giving Rise to Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material aspects, the respective modified cash basis financial position of the governmental activities of the Beulah Park District, as of December 31, 2021, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### ***Basis for Qualified 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 Beulah Park District, 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 qualified and unmodified audit opinions.

### ***Matters Giving Rise to Qualified Opinion on Governmental Activities***

Management has reported capital assets purchased prior to 2017 on a basis that is not in accordance with accounting principles generally accepted in the United States of America, as applied under the modified cash basis of accounting. See Note 1 for additional information. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

### ***Emphasis of Matters***

#### ***Basis of Accounting***

We draw attention to Note 1 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.

As discussed in Note 13 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. As discussed in Note 13 to the financial statements, the District has retroactively restated the previously reported Net Position and Fund Balances in accordance with this statement. Our opinions are modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Beulah Park District'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 Beulah Park District'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.

### ***Other Information***

Management is responsible for the listing of Park District officials on page 1. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2023 on our consideration of Beulah Park District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Beulah Park District'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 Beulah Park District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

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

April 5, 2023

**BEULAH PARK DISTRICT**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2021**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 1,377,844
Non-current assets:	
Capital assets (net of accumulated depreciation):	
Land	1,501
Construction in progress	72,000
Depreciable assets, net of accumulated depreciation	<u>7,192,162</u>
Total non-current assets:	<u>7,265,663</u>
Total assets	<u>8,643,507</u>

**LIABILITIES**

Current liabilities:	
Payroll liabilities	449
Notes payable - current portion	146,466
Special assessments - current portion	<u>3,725</u>
Total current liabilities:	<u>150,640</u>
Non-current liabilities:	
Notes payable - non-current portion	6,085,195
Special assessments - non-current portion	<u>2,649</u>
Total non-current liabilities:	<u>6,087,844</u>
Total liabilities	<u>6,238,484</u>

**NET POSITION**

Net investment in capital assets	1,027,628
Restricted for:	
Debt service	1,022,323
Special assessments	63,882
Unrestricted	<u>291,190</u>
Total net position	<u>\$ 2,405,023</u>

See Notes to the Financial Statements



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

			Program Receipts		Net (Disbursement) Receipt and Changes in Net Position
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental Activities:					
Culture and recreation	\$ 1,205,310	\$ 400,382	\$ 44,777	\$ 146,567	\$ (613,584)
Interest on long-term debt	263,966	-	-	-	(263,966)
Total governmental activities	<u>\$ 1,469,276</u>	<u>\$ 400,382</u>	<u>\$ 44,777</u>	<u>\$ 146,567</u>	<u>(877,550)</u>
General Receipts:					
Property taxes					292,492
Sales tax					442,194
State revenue sharing					74,272
Interest					260
Miscellaneous					12,006
Total general receipts					<u>821,224</u>
Change in net position					(56,326)
Net position - beginning of year, as originally stated					2,163,105
GASB 84 adjustment (see note 13)					298,244
Total net position, beginning of year, restated					<u>2,461,349</u>
Net position - end of year					<u>\$ 2,405,023</u>

See Notes to the Financial Statements

**BEULAH PARK DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2021**

	General	Facilities	Wellness Center	Special Assessments	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 477,749	\$ -	\$ 900,095	\$ -	\$ 1,377,844
Due from other funds	401,531	-	139,112	63,882	604,525
Total assets	<u>\$ 879,280</u>	<u>\$ -</u>	<u>\$ 1,039,207</u>	<u>\$ 63,882</u>	<u>\$ 1,982,369</u>
<b>LIABILITIES</b>					
Payroll liabilities	\$ 349	\$ -	\$ 100	\$ -	\$ 449
Due to other funds	-	600,963	3,562	-	604,525
Total liabilities	<u>349</u>	<u>600,963</u>	<u>3,662</u>	<u>-</u>	<u>604,974</u>
<b>FUND BALANCES</b>					
Restricted for:					
Debt service	-	-	1,022,323	-	1,022,323
Special assessments	-	-	-	63,882	63,882
Committed	-	-	13,222	-	13,222
Unassigned	878,931	(600,963)	-	-	277,968
Total fund balances	<u>878,931</u>	<u>(600,963)</u>	<u>1,035,545</u>	<u>63,882</u>	<u>1,377,395</u>
Total liabilities and fund balances	<u>\$ 879,280</u>	<u>\$ -</u>	<u>\$ 1,039,207</u>	<u>\$ 63,882</u>	<u>\$ 1,982,369</u>

See Notes to the Financial Statements

**BEULAH PARK DISTRICT**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT WIDE STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
DECEMBER 31, 2021

Total Governmental Funds Balance	\$ 1,377,395
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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 financial resources and therefore not reported in the fund.	7,265,663
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Long-term liabilities not due and payable in the current period and therefore are not included in the fund:

Notes payable	(6,231,661)
Special assessments	<u>(6,374)</u>

Net position of governmental activities	<u>\$ 2,405,023</u>
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See Notes to the Financial Statements

**BEULAH PARK DISTRICT**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS – MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Facilities	Wellness Center	Special Assessments	Total
<b>RECEIPTS</b>					
Taxes	\$ 238,265	\$ 48,807	\$ 442,194	\$ 5,420	\$ 734,686
State revenue sharing	74,272	-	-	-	74,272
Charges for services	394,838	5,544	-	-	400,382
Grants and contributions	129,902	26,515	-	-	156,417
Interest	260	-	-	-	260
Miscellaneous	6,763	-	4,691	-	11,454
Total receipts	<u>844,300</u>	<u>80,866</u>	<u>446,885</u>	<u>5,420</u>	<u>1,377,471</u>
<b>DISBURSEMENTS</b>					
Current:					
Culture and recreation	656,679	134,274	2,190	-	793,143
Capital outlay	-	17,467	72,000	-	89,467
Debt service:					
Principal retirement	18,515	4,560	136,440	3,895	163,410
Interest	2,995	-	260,478	493	263,966
Total disbursements	<u>678,189</u>	<u>156,301</u>	<u>471,108</u>	<u>4,388</u>	<u>1,309,986</u>
Excess of receipts over (under) disbursements	<u>166,111</u>	<u>(75,435)</u>	<u>(24,223)</u>	<u>1,032</u>	<u>67,485</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from the sale of equipment	552	-	-	-	552
Total other financing sources (uses)	<u>(71,448)</u>	<u>-</u>	<u>72,000</u>	<u>-</u>	<u>552</u>
Excess of receipts and other sources (uses) over (under) disbursements	94,663	(75,435)	47,777	1,032	68,037
Fund balance (deficit) - beginning of year, as previously	486,024	(525,528)	987,768	62,850	1,011,114
GASB 84 adjustment - see note 13	298,244	-	-	-	298,244
Fund balances - beginning of year, restated	<u>784,268</u>	<u>(525,528)</u>	<u>987,768</u>	<u>62,850</u>	<u>1,309,358</u>
Fund balance (deficit) - December 31	<u>\$ 878,931</u>	<u>\$ (600,963)</u>	<u>\$ 1,035,545</u>	<u>\$ 63,882</u>	<u>\$ 1,377,395</u>

See Notes to the Financial Statements

**BEULAH PARK DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF RECEIPTS,**  
**DISBURSEMENTS AND CHANGES IN FUND BALANCES TO THE GOVERNMENT WIDE**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balance - Total Governmental Funds	\$ 68,037
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Current year capital outlay	89,467
Current year depreciation expense	(412,167)
Repayment of principal on long-term debt consumes the current financial resources of the governmental funds. However, there is no effect on net position.	163,410
Income recognized for donated assets	<u>34,927</u>
Change in net position	<u><u>\$ (56,326)</u></u>

See Notes to the Financial Statements

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Beulah Park District was established under the laws of the State of North Dakota. The accounting policy of Beulah Park District is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**Reporting Entity**

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the Governmental Accounting Standards Board. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. Based upon the application of these criteria, the District is not includable as a component unit within another reporting entity and the District does not have a component unit.

**Basis of Presentation**

The District'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 detail level of financial information.

*Government-wide Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct disbursements of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segments. Taxes and other items not properly included among program receipts are reported instead as general receipts.

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The government-wide financial statements do not include fiduciary funds that are fiduciary in nature.

*Fund Financial Statements*

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

*General* – This is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Facilities* – This fund is used to account for the accumulation of resources for construction and maintenance of the District facilities in the city of Beulah, North Dakota.

*Wellness Center* – This fund is used to account for the receipts and disbursements related to the construction of a new wellness center.

*Special Assessments* – This fund is used to account for property taxes levied for payment of special assessments and the related payments made. This fund does not qualify as a major fund, but since it is the only non-major fund, the District has chosen to show it as a major fund.

**Governmental Fund Types**

Governmental Funds

The general fund accounts for all governmental financial resources, except for those required to be accounted for in other funds.

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special revenue funds of the District include the facilities fund and special assessments fund.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition and construction of district facilities and other capital assets.

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

Fiduciary Funds

The District does not have any fiduciary funds.

**Measurement Focus/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, the governmental 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 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 Receipts, Disbursements and Changes in Fund Balances reports on the sources (i.e., receipts and other financing sources) and uses (i.e., disbursements 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.

Basis of Accounting

In the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, receipts and disbursements / expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. Long-term debt is also reported in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.



**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

In the fund financial statements, the current financial resources measurement focus, as applied to the modified cash basis of accounting, is used. All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable 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.

As a result of the use of the 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) and 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) are not recorded in these financial statements.

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

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, savings, and money market accounts with original maturities of less than 90 days, stated at cost.

**Due From (To) Other Funds**

Due from (to) other funds arise primarily as a result of a cash deficit in one or more funds.

**Capital Assets**

Capital assets are reported in the government-wide financial statements. Capital assets acquired December 31, 2016 or earlier are recorded based upon their insured values as of January 1, 2017, which is not in accordance with generally accepted accounting principles in the United States, as applied under the modified cash basis of accounting. Additions made after January 1, 2017 are recorded at cost. Improvements that significantly extend the useful life of the asset are also capitalized. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The District'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 the asset lives are not capitalized.

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

Buildings and improvements	30 years
Machinery and equipment	7 years
Vehicles	7 years

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type statement of net position. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service disbursements.

**Fund Balance Classifications**

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, the governmental funds report fund classification that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds are spent. Fund balances are classified as follows:

*Nonspendable* – Fund balances that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted* – Constraints are placed on the use of fund balances which are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing Board. Formal action is required to rescind a fund balance commitment.

*Assigned* – Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the Board and the District's management.

*Unassigned* – Unassigned fund balances are those that have not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance.

At December 31, 2021, the District only had restricted, committed, and unassigned fund balances. Restricted fund balances were constrained by state laws related to specific tax levies. Committed fund balances are set aside by the Board for the wellness center building.

*Flow Assumptions* – When there are restricted, committed, assigned, and unassigned resources available for use in or for a particular fund or activity it is the District's policy to use restricted resources first, then committed, then assigned, then unassigned resources as they are needed.

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**Net Position**

Net position represents the difference between assets and liabilities. Net positions are classified in the following categories:

*Net Investment in Capital Assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted Net Position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted Net Position* – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

**Interfund Transactions**

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Revenue Recognition - Property Taxes**

The Mercer County treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month. Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on half of the real estate taxes and all the current year special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 15 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and current year special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Property taxes are limited by state laws. All District tax levies are in compliance with state laws.

**Use of Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 2 DEPOSITS**

In accordance with North Dakota statutes, the District maintains deposits at the 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.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by any other state of the United States or such other securities approved by the banking board.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Beyond what is stated in the North Dakota Century Code, the District does not have a formal policy to further limit exposure to custodial credit risk.

The District maintains cash on deposit at various financial institutions. The amounts on deposit are insured by the FDIC up to \$250,000 per financial institution. At December 31, 2021, the District had \$796,230 of deposits in excess of FDIC insurance. All of the excess deposits were covered by pledged securities held in the District's name and were not exposed to custodial credit risk at December 31, 2021. Pledged collateral exceeded state requirements of 110% of amounts in excess of FDIC insurance.

**NOTE 3 INTERFUND RECEIVABLES AND PAYABLES**

For the year ended December 31, 2021, the District had the following interfund receivable / payable balances:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 401,531	\$ -
Facilities Fund	-	600,963
Wellness Center Fund	139,112	3,562
Special Assessment Fund	63,882	-
	<u>\$ 604,525</u>	<u>\$ 604,525</u>

The interfund balances are a result of deficit cash balances in the Facilities Fund. They are not expected to be repaid in the next year.

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 4 LONG-TERM LIABILITIES**

The following changes have occurred in long-term liabilities of the District:

	Balance 1/1/21	Increases	Decreases	Balance 12/31/21	Due within one year
Notes payable	\$ 6,391,175	\$ -	\$ (159,514)	\$ 6,231,661	\$ 146,466
Special assessments	10,270	-	(3,896)	6,374	3,725
Total	<u>\$ 6,401,445</u>	<u>\$ -</u>	<u>\$ (163,410)</u>	<u>\$ 6,238,035</u>	<u>\$ 150,191</u>

The District had the following outstanding loans at year ended December 31, 2021:

Notes Payable

\$150,000 note payable through Union State Bank dated 7/9/2013 and modified 12/6/2021.

Due in 9 annual payments of \$7,700 and one irregular last payment of \$5,225, maturing 7/9/2031. Interest rate of 3.50%. Loan secured by all fixtures, accounts, and framed building with porch at Beulah Bay. Payments are made out of the general fund.

\$ 63,016

\$6,500,000 note payable through Union Bank dated 5/31/2017. Due in 24 monthly interest payments ranging from \$21,192 to \$34,058 beginning on 7/15/2017 and 336 monthly payments of \$33,076 beginning on 7/1/2019, maturing on 6/1/2047. Variable interest rate of 4.25% until June 2022. The future variable rate will be 2.23% above the FHLB 5 year advance rate, and may change every 5th year beginning in June 2022. Loan is secured by Wellness Center building. Payments are made out of the Wellness Center Fund.

6,158,818

\$15,000 note payable through Union State Bank dated 8/10/2020.

Due in monthly installments of \$326.61, maturing 8/10/2024. Interest rate of 2.15%. Loan is secured by pickup. Payments are made out of the general fund.

9,827

Total Notes Payable

\$ 6,231,661

Special Assessments

The special assessments are dated 2013 through 2020. The assessments mature 2024 through 2038. Interest rate is 3.91%. Payments are made out of the Special Assessment Fund.

\$ 6,374

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

Debt service requirements to maturity are as follows for the years ending December 31:

	Notes Payable		Special Assessments		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 146,466	\$ 262,067	\$ 3,725	\$ 249	\$ 150,191	\$ 262,316
2023	151,772	256,760	332	104	152,104	256,864
2024	156,595	250,317	162	91	156,757	250,408
2025	160,959	243,657	162	84	161,121	243,741
2026	167,883	236,733	162	78	168,045	236,811
2027 - 2031	951,510	1,068,893	809	295	952,319	1,069,188
2032 - 2036	1,136,159	848,421	809	137	1,136,968	848,558
2037 - 2041	1,404,635	579,945	213	11	1,404,848	579,956
2042 - 2046	1,736,553	248,027	-	-	1,736,553	248,027
2047 - 2051	219,129	3,785	-	-	219,129	3,785
Totals	<u>\$ 6,231,661</u>	<u>\$ 3,998,605</u>	<u>\$ 6,374</u>	<u>\$ 1,049</u>	<u>\$ 6,238,035</u>	<u>\$ 3,999,654</u>

**NOTE 5 CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,501	\$ -	\$ -	\$ 1,501
Construction in progress	-	72,000	-	72,000
Total capital assets not being depreciated	<u>1,501</u>	<u>72,000</u>	<u>-</u>	<u>73,501</u>
Capital assets, being depreciated:				
Buildings	7,438,348	-	-	7,438,348
Improvements	154,668	-	-	154,668
Machinery and equipment	1,025,760	52,394	-	1,078,154
Vehicles	55,000	-	-	55,000
Total capital assets being depreciated	<u>8,673,776</u>	<u>52,394</u>	<u>-</u>	<u>8,726,170</u>
Less accumulated depreciation for:				
Buildings	609,817	247,945	-	857,762
Improvements	21,701	6,430	-	28,131
Machinery and equipment	466,574	149,936	-	616,510
Vehicles	23,749	7,856	-	31,605
Total accumulated depreciation	<u>1,121,841</u>	<u>412,167</u>	<u>-</u>	<u>1,534,008</u>
Total capital assets being depreciated, net	<u>7,551,935</u>	<u>(359,773)</u>	<u>-</u>	<u>7,192,162</u>
Governmental capital assets, net	<u>\$ 7,553,436</u>	<u>\$ (287,773)</u>	<u>\$ -</u>	<u>\$ 7,265,663</u>

Depreciation expense of \$412,167 was allocated to culture and recreation in the Statement of Activities.

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 6 FUND DEFICITS**

The Facilities fund was in a deficit position of \$600,964 at December 31, 2021. This deficit is anticipated to be remediated by future revenues and/or fund transfers.

**NOTE 7 PENSION PLAN**

The District contributes to the City of Beulah pension plan, a defined contribution money purchase pension plan. The plan provides for retirement benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with the terms of the retirement plan. A publicly available financial report is issued that includes financial statements and required supplementary information for the plan.

Plan members are not required to contribute any percentage of their annual covered salary. The District is required to contribute 8% of the eligible employees' wages as determined by the City of Beulah. The contribution requirements of plan members and the District are established by the plan agreement. The District's required and actual contributions to the plan for the year ended December 31, 2021 were \$13,457.

**NOTE 8 CHARGES FOR SERVICES**

The following is a breakdown of the charges for services revenue in the Statement of Activities for the year ended December 31, 2021:

Camping fees	\$ 147,709
Fitness fees	145,018
Recreation fees	42,022
Concession income	21,412
Boat slip rentals	5,060
Shelter fees	1,460
Shower fees	1,003
Miscellaneous fees	36,698
	<u>\$ 400,382</u>

**NOTE 9 LEGAL COMPLIANCE – BUDGETS**

The District's Board follows the procedures established by North Dakota law for the budgetary process. By August 10th of each year, the preliminary budget is presented to the District's Board for review and approval. The District's board holds public hearings and may modify the preliminary budget. The final budget must be adopted before October 7th and submitted to the County Auditor by October 10th of each year. The current budget, except property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. All appropriations lapse at year end. The District prepares its budget and reports its governmental funds on the same basis of accounting.

**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 10      RISK MANAGEMENT**

The District 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, 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 District pays an annual premium for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile coverage.

The District also participates jointly with the City of Beulah in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium 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 District with blanket fidelity bond coverage in the amount of \$536,423. The District also has workers' compensation with the North Dakota Workforce Safety and Insurance.

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

**NOTE 11   NEW ACCOUNTING PRONOUNCEMENTS**

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

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

**NOTE 12      COMMITMENTS**

As of December 31, 2021, the District has an outstanding commitment of approximately \$20,215 for on-going HVAC construction at the Wellness Center.



**BEULAH PARK DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2021**

**NOTE 13      CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION AND FUND BALANCE**

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

Net position January 1, 2021 as previously reported	\$    2,163,105
Restatement for fiduciary accounting:	
Wellness Center Foundation Fund Balance	298,244
Net position January 1, 2021 as restated	<u>\$    2,461,349</u>
General Fund Balance January 1, 2021 as previously reported	\$       486,024
Restatement for fiduciary accounting:	
Wellness Center Foundation Fund Balance	298,244
General Fund Balance January 1, 2021 as restated	<u>\$       784,268</u>

**NOTE 14      SUBSEQUENT EVENTS**

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through April 5, 2023, which is the date these financial statements were available to be issued.

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

To the Board of Park Commissioners  
Beulah Park District  
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, and each major fund and the remaining fund information of the Beulah Park District, as of and for the year ended December 31, 2021, and the related notes to the modified cash financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 5, 2023, which contained a qualified opinion on governmental activities. In our report, our opinion was modified due to the District using a basis for reporting capital assets that is not in accordance with generally accepted accounting principles in the United States of America, as applied under the modified cash basis of accounting.

## **Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2021-001, 2021-002, and 2021-003 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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*.

## **District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Beulah Park District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Beulah Park District'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 responses.

## **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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

April 5, 2023

**BEULAH PARK DISTRICT**  
**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 District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America, as applied under the modified cash basis of accounting.

Condition

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

Cause

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

Effect

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

Recommendation

We recommend the District 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 District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Action

The District's management and Board of Commissioners have reviewed and discussed the responsibilities of the internal control structure. As a result of this review, management has considered the cost effectiveness of additional duties for compliance of the application of generally accepted accounting principles. The District has implemented additional control reviews, which includes the Board reviewing quarterly budgets.

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

**2021-002: Proposition of Journal Entries – Material Weakness**

Criteria

The District 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 District's internal controls have not been designed to address the specific training needs that are required to maintain the general ledger accounts on a modified cash basis.

Effect

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

Recommendation

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

Views of Responsible Officials and Corrective Action Plan

The District's management and Board of Commissioners have reviewed and discussed the responsibilities of the internal control structure. As a result of this review, management has considered the cost effectiveness of additional duties for compliance of the application of generally accepted accounting principles.

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

**2021-003: Segregation of Duties - Material Weakness**

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of 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

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Action

The District will review duties of employees and determine if it is cost effective to obtain this expertise.