

**CITY OF BEULAH
BEULAH, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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CITY OF BEULAH, NORTH DAKOTA
CITY OFFICIALS

Mayor

Jeffrey Gooss

City Council

Auston Biles
Sean Cheatley
David Czywczynski
Eric Hoffer
Jason Isaak
Ben Lenzen
Gary Miller
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, 2022, 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
Municipal Infrastructure Fund	Unmodified
Public Buildings 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, 2022, 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, described in note 2.

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 18 percent, 5 percent, and 80 percent of the assets, net position, and revenues, respectively, of the City of Beulah, North Dakota's aggregate discretely presented component units.

Emphasis of Matters

As discussed in Note 2 to the financial statements, the City changed its method of accounting for leases in 2022 due to the adoption of GASBS No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Beulah, North Dakota'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. 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 schedule is 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 9, 2023 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 9, 2023

CITY OF BEULAH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2022

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 4,798,329	\$ 842,509	\$ 5,640,838	\$ 1,000,646
Due from primary government	-	-	-	150,000
Interfund balances	736,219	(736,219)	-	-
Interest receivable	-	-	-	877
Lease receivable - current portion	-	-	-	97,270
Total current assets	<u>5,534,548</u>	<u>106,290</u>	<u>5,640,838</u>	<u>1,248,793</u>
Non-current assets:				
Lease receivable - noncurrent portion	-	-	-	468,456
Construction in progress	404,751	-	404,751	-
Land	4,500	-	4,500	10,000
Capital assets, net of accumulated depreciation	14,581,444	11,050,397	25,631,841	1,660,843
Lease assets, net of accumulated amortization	107,546	208,569	316,115	-
Total non-current assets	<u>15,098,241</u>	<u>11,258,966</u>	<u>26,357,207</u>	<u>2,139,299</u>
Total assets	<u>20,632,789</u>	<u>11,365,256</u>	<u>31,998,045</u>	<u>3,388,092</u>
<u>LIABILITIES</u>				
Current liabilities:				
Customer deposits held	-	21,643	21,643	-
Due to component unit	150,000	-	150,000	-
Accrued interest	1,743	693	2,436	-
Current portion of interest buydown payable	-	-	-	15,598
Current portion of lease liability	9,041	67,223	76,264	-
Current portion of long-term debt	509,686	-	509,686	97,131
Total current liabilities	<u>670,470</u>	<u>89,559</u>	<u>760,029</u>	<u>112,729</u>
Non-current liabilities:				
Interest buydown payable	-	-	-	65,424
Non-current portion of lease liability	98,716	71,369	170,085	-
Non-current portion of long-term debt	4,076,391	-	4,076,391	788,420
Total non-current liabilities	<u>4,175,107</u>	<u>71,369</u>	<u>4,246,476</u>	<u>853,844</u>
Total liabilities	<u>4,845,577</u>	<u>160,928</u>	<u>5,006,505</u>	<u>966,573</u>
<u>DEFERRED INFLOWS</u>				
Leases	-	-	-	559,334
<u>NET POSITION</u>				
Net investment in capital assets	10,402,664	11,119,681	21,522,345	785,292
Restricted for:				
City Improvements	1,874,121	-	1,874,121	-
Roads	806,741	-	806,741	-
Library	75,672	-	75,672	-
Emergency	98,693	-	98,693	-
Cemetery	79,442	-	79,442	-
Swimming Pool	46,310	-	46,310	-
Unrestricted	<u>2,403,569</u>	<u>84,647</u>	<u>2,488,216</u>	<u>1,076,893</u>
Total net position	<u>\$ 15,787,212</u>	<u>\$ 11,204,328</u>	<u>\$ 26,991,540</u>	<u>\$ 1,862,185</u>

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

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	\$ 1,056,639	\$ 278,461	\$ 266,759	\$ -	\$ (511,419)	\$ -	\$ (511,419)	
Public safety	834,866	39,170	26,209	-	(769,487)	-	(769,487)	
Highways and streets	2,059,493	549,807	-	-	(1,509,686)	-	(1,509,686)	
Culture and recreation	282,906	85,829	8,909	-	(188,168)	-	(188,168)	
Health and welfare	21,170	-	-	-	(21,170)	-	(21,170)	
Economic development	241,281	-	-	-	(241,281)	-	(241,281)	
Interest on long-term debt	133,300	-	-	-	(133,300)	-	(133,300)	
Total governmental activities	<u>4,629,655</u>	<u>953,267</u>	<u>301,877</u>	<u>-</u>	<u>(3,374,511)</u>	<u>-</u>	<u>(3,374,511)</u>	
Business-type activities:								
Water	1,045,973	847,839	-	-	-	(198,134)	(198,134)	
Sewer	262,749	344,010	-	-	-	81,261	81,261	
Garbage	412,773	490,247	-	-	-	77,474	77,474	
Storm water	6,496	46,906	-	-	-	40,410	40,410	
Curb stop	2,910	46,900	-	-	-	43,990	43,990	
Water meter	2,519	57,083	-	-	-	54,564	54,564	
Water equipment reserve	28,171	-	-	-	-	(28,171)	(28,171)	
Garbage equipment reserve	26,808	59,728	-	-	-	32,920	32,920	
Total business-type activities	<u>1,788,399</u>	<u>1,892,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,314</u>	<u>104,314</u>	
Total primary government	<u>\$ 6,418,054</u>	<u>\$ 2,845,980</u>	<u>\$ 301,877</u>	<u>\$ -</u>	<u>(3,374,511)</u>	<u>104,314</u>	<u>(3,270,197)</u>	
Component units	<u>\$ 1,068,542</u>	<u>\$ 1,026,028</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (42,514)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					627,200	-	627,200	76,039
Sales taxes					1,078,120	-	1,078,120	-
State aid distribution					203,958	-	203,958	19,293
Municipal highway tax					167,336	-	167,336	-
Coal conversion tax					445,551	-	445,551	-
Coal severance tax					597,787	-	597,787	-
Cigarette tax					5,843	-	5,843	-
Investment earnings					7,920	-	7,920	12,879
Transfers					598,416	(598,416)	-	-
Miscellaneous					201,564	-	201,564	4,617
Total general revenues and transfers					<u>3,970,236</u>	<u>(598,416)</u>	<u>3,371,820</u>	<u>112,828</u>
Change in net position					595,725	(494,102)	101,623	70,314
Net position - beginning of year					<u>15,191,487</u>	<u>11,698,430</u>	<u>26,889,917</u>	<u>1,791,871</u>
Net position - end of year					<u>\$ 15,787,212</u>	<u>\$ 11,204,328</u>	<u>\$ 26,991,540</u>	<u>\$ 1,862,185</u>

See Notes to the Financial Statements

CITY OF BEULAH
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Fund	Municipal Infrastructure Fund	Public Buildings	Non-major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,681,485	\$ 1,001,116	\$ 135,865	\$ 1,979,863	\$ 4,798,329
Due from other funds	736,219	-	-	-	736,219
Total assets	<u>\$ 2,417,704</u>	<u>\$ 1,001,116</u>	<u>\$ 135,865</u>	<u>\$ 1,979,863</u>	<u>\$ 5,534,548</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Due to component unit	\$ -	\$ -	\$ 150,000	\$ -	\$ 150,000
Fund balances:					
Restricted	-	1,001,116	-	1,979,863	2,980,979
Unassigned	2,417,704	-	(14,135)	-	2,403,569
Total liabilities and fund balances	<u>\$ 2,417,704</u>	<u>\$ 1,001,116</u>	<u>\$ 135,865</u>	<u>\$ 1,979,863</u>	<u>\$ 5,534,548</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, 2022

Total Governmental Funds Balance	\$	5,384,548
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and leased assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of capital assets	21,460,446	
Cost of lease assets	117,895	
Less accumulated depreciation	(6,469,751)	
Less accumulated amortization	(10,349)	

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Accrued interest	(1,743)	
Lease liability	(107,757)	
Long-term debt	(4,586,077)	

Net Position of Governmental Activities	\$	15,787,212
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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, 2022

	General Fund	Municipal Infrastructure Fund	Public Buildings	Non-major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Taxes	\$ 587,574	\$ -	\$ -	\$ 39,626	\$ 627,200
Special assessments and interest	-	-	-	549,807	549,807
License and permits	25,850	-	-	-	25,850
Intergovernmental	1,279,347	500,000	16,880	1,004,244	2,800,471
Charges for services	252,611	-	-	85,685	338,296
Fines and forfeitures	39,170	-	-	144	39,314
Interest	7,920	-	-	-	7,920
Miscellaneous	131,794	-	-	69,772	201,566
Total revenues	<u>2,324,266</u>	<u>500,000</u>	<u>16,880</u>	<u>1,749,278</u>	<u>4,590,424</u>
<u>EXPENDITURES</u>					
Current:					
General government	963,853	-	24,387	68,737	1,056,977
Public safety	833,792	-	-	1,074	834,866
Highways and streets	494,256	-	-	618,820	1,113,076
Culture and recreation	52,539	-	-	230,367	282,906
Health and welfare	17,391	-	-	3,779	21,170
Economic development	119,699	-	-	121,582	241,281
Debt Service:					
Principal retirement	9,887	-	-	507,058	516,945
Interest and fiscal charges	-	-	-	119,041	119,041
Capital outlay	<u>27,773</u>	<u>-</u>	<u>393,637</u>	<u>407,718</u>	<u>829,128</u>
Total expenditures	<u>2,519,190</u>	<u>-</u>	<u>418,024</u>	<u>2,078,176</u>	<u>5,015,390</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(194,924)</u>	<u>500,000</u>	<u>(401,144)</u>	<u>(328,898)</u>	<u>(424,966)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	336,484	-	-	658,998	995,482
Transfers out	(362,671)	-	-	(34,395)	(397,066)
Proceeds from issuance of lease	14,223	-	-	-	14,223
Total other financing sources and uses	<u>(11,964)</u>	<u>-</u>	<u>-</u>	<u>624,603</u>	<u>612,639</u>
Net change in fund balances	<u>(206,888)</u>	<u>500,000</u>	<u>(401,144)</u>	<u>295,705</u>	<u>187,673</u>
Fund balances - beginning of year	<u>2,624,592</u>	<u>501,116</u>	<u>387,009</u>	<u>1,684,158</u>	<u>5,196,875</u>
Fund balances - end of year	<u>\$ 2,417,704</u>	<u>\$ 1,001,116</u>	<u>\$ (14,135)</u>	<u>\$ 1,979,863</u>	<u>\$ 5,384,548</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, 2022

Net Change in Fund Balance - Governmental Funds \$ 187,673

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. In the current period, these amounts are:

Capital outlay	829,128	
Depreciation expense	(946,417)	
Amortization expense	(10,349)	
Excess of capital outlay over depreciation and amortization expense		(127,638)

The gain on the sale of capital assets is an increase in net position.		36,541
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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.		(14,223)
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Government wide statements amortize discount on bonds payable over the life of the debt, while governmental funds recognize bond proceeds at issuance amount.		(1,830)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment combines the net changes of the following:		
Accrued interest		(1,743)

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	183,385	
Direct financing purchases	49,331	
Special assessments	165,000	
Revenue bonds payable	109,342	
Lease liability	9,887	
Total long-term debt repayment		516,945

Change in Net Position		\$ 595,725
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See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non-major Enterprise Funds	Total Enterprise Funds
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ 234,562	\$ 113,534	\$ 24,888	\$ 469,525	\$ 842,509
Capital assets:					
Infrastructure	11,935,897	970,965	727,732	-	13,634,594
Equipment	65,050	29,489	550,604	239,632	884,775
Less: Accumulated depreciation	(2,443,615)	(214,004)	(703,051)	(108,302)	(3,468,972)
Total capital assets	9,557,332	786,450	575,285	131,330	11,050,397
Lease assets:	-	-			
Right of use asset	-	-	214,363	-	214,363
Less: Accumulated amortization	-	-	(5,794)	-	(5,794)
Total lease assets	-	-	208,569	-	208,569
Total assets	9,791,894	899,984	808,742	600,855	12,101,475
<u>LIABILITIES</u>					
Current liabilities:					
Due to other funds	-	-	736,219	-	736,219
Customer deposits held	21,643	-	-	-	21,643
Accrued interest	-	-	693	-	693
Lease liability - current	-	-	67,223	-	67,223
Total current liabilities	21,643	-	804,135	-	825,778
Noncurrent liabilities:					
Lease liability - noncurrent	-	-	71,369	-	71,369
Total liabilities	21,643	-	875,504	-	897,147
<u>NET POSITION</u>					
Net investment in capital assets	9,557,332	786,450	644,569	131,330	11,119,681
Unrestricted	212,919	113,534	(711,331)	469,525	84,647
Total net position	\$ 9,770,251	\$ 899,984	\$ (66,762)	\$ 600,855	\$ 11,204,328

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, 2022

	Enterprise Funds				
	Water Fund	Sewer Fund	Garbage Fund	Non-major Enterprise Funds	Total Enterprise Funds
<u>OPERATING REVENUES</u>					
Charges for services	\$ 847,839	\$ 343,565	\$ 490,247	\$ 210,617	\$ 1,892,268
Miscellaneous	-	445	-	-	445
Total operating revenues	<u>847,839</u>	<u>344,010</u>	<u>490,247</u>	<u>210,617</u>	<u>1,892,713</u>
<u>OPERATING EXPENSES</u>					
Salaries and employee benefits	359,352	71,801	204,628	-	635,781
General maintenance and supplies	132,486	106,709	124,357	42,043	405,595
Chemicals and additives	61,626	20,112	-	-	81,738
Utilities	87,679	26,978	4,070	-	118,727
Fuel and vehicles	7,227	1,601	38,149	-	46,977
Depreciation	397,603	35,548	35,082	24,861	493,094
Amortization	-	-	5,794	-	5,794
Interest	-	-	693	-	693
Total operating expenses	<u>1,045,973</u>	<u>262,749</u>	<u>412,773</u>	<u>66,904</u>	<u>1,788,399</u>
Operating income (loss)	(198,134)	81,261	77,474	143,713	104,314
Transfers in	-	-	76,071	25,000	101,071
Transfers out	<u>(362,495)</u>	<u>(129,020)</u>	<u>(99,566)</u>	<u>(108,406)</u>	<u>(699,487)</u>
Change in net position	(560,629)	(47,759)	53,979	60,307	(494,102)
Net position - beginning of year	<u>10,330,880</u>	<u>947,743</u>	<u>(120,741)</u>	<u>540,548</u>	<u>11,698,430</u>
Net position - end of year	<u><u>\$ 9,770,251</u></u>	<u><u>\$ 899,984</u></u>	<u><u>\$ (66,762)</u></u>	<u><u>\$ 600,855</u></u>	<u><u>\$ 11,204,328</u></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, 2022

	Enterprise Funds				Total
	Water	Sewer	Garbage	Non-major enterprise funds	
Cash flows from operating activities:					
Receipts from customers	\$ 847,839	\$ 343,565	\$ 490,247	\$ 210,617	\$ 1,892,268
Receipts from others	-	445	-	-	445
Payments to suppliers	(289,018)	(155,400)	(166,576)	(42,043)	(653,037)
Payments to employees	(359,352)	(71,801)	(204,628)	-	(635,781)
Net cash provided (used) by operating activities	199,469	116,809	119,043	168,574	603,895
Cash flows from noncapital and related financing activities:					
Increase (decrease) in customer deposits	2,854	-	-	-	2,854
Purchase of right-to-use assets	-	-	(128,111)	-	(128,111)
Proceeds from lease obligations	-	-	138,592	-	138,592
Transfers in (out)	(362,495)	(129,020)	(23,495)	(83,406)	(598,416)
Net cash provided (used) by noncapital and related financing activities	(359,641)	(129,020)	(13,014)	(83,406)	(585,081)
Cash flows from capital and related financing activities:					
Purchase of property and equipment	(16,352)	-	-	(77,304)	(93,656)
Purchase of right-to-use assets	-	-	(86,252)	-	(86,252)
Net cash provided (used) by capital and related financing activities	(16,352)	-	(86,252)	(77,304)	(179,908)
Net change in cash and cash equivalents	(176,524)	(12,211)	19,777	7,864	(161,094)
Cash and cash equivalents - January 1	411,086	125,745	5,111	461,661	1,003,603
Cash and cash equivalents - December 31	<u>\$ 234,562</u>	<u>\$ 113,534</u>	<u>\$ 24,888</u>	<u>\$ 469,525</u>	<u>\$ 842,509</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (198,134)	\$ 81,261	\$ 77,474	\$ 143,713	\$ 104,314
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	397,603	35,548	35,082	24,861	493,094
Amortization	-	-	5,794	-	5,794
Interest	-	-	693	-	693
Net cash provided (used) by operating activities	<u>\$ 199,469</u>	<u>\$ 116,809</u>	<u>\$ 119,043</u>	<u>\$ 168,574</u>	<u>\$ 603,895</u>

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF FIDUCIARY NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2022

	Pension Plan Fund	Parks & Rec Retirement Fund	Custodial Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 872	\$ -	\$ -
<u>LIABILITIES AND NET POSITION</u>			
Unrestricted	872	-	-
Total net position	<u>\$ 872</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Financial Statements

CITY OF BEULAH
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Pension Plan Fund	Parks & Rec Retirement Fund	Custodial Fund
<u>ADDITIONS</u>			
Intergovernmental	\$ -	\$ 71,661	\$ 454,374
Retirement Reimbursements	74,773	-	-
	<hr/>	<hr/>	<hr/>
Total additions	74,773	71,661	454,374
	<hr/>	<hr/>	<hr/>
<u>DEDUCTIONS</u>			
State aid	-	71,661	-
Retirement	90,333	818	-
Sales tax	-	-	454,374
	<hr/>	<hr/>	<hr/>
Total deductions	90,333	72,479	454,374
	<hr/>	<hr/>	<hr/>
Change in net position	(15,560)	(818)	-
Net position - beginning of year	16,432	818	-
	<hr/>	<hr/>	<hr/>
Net position - end of year	\$ 872	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Notes to the Financial Statements

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, and separate reports were issued.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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, 2022

Governmental Funds

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

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

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

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

Major Funds

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

Governmental

General fund as described above.

Municipal Infrastructure fund, a capital projects fund, is used to account for the accumulation of resources for, and payment of, infrastructure projects.

Public Buildings fund, a capital projects fund, is used to account for the accumulation of resources for, and payment of, public buildings projects.

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, 2022

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, 2022

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, leases and depreciation/amortization 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, 2022

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

Leases

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the City has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the City is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the City uses its incremental borrowing rate based on the information available at the lease commencement date. The City has made an accounting policy election to use a risk free rate based on US Treasury Tbill rate as of the lease commencement. The City accounts for lease agreements with lease and non-lease components together as a single

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

lease component for all underlying classes of assets.

The City continues to record rent expense for short term leases on a straight-line basis over the lease term. Short-term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the City are reasonably certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The City's lease agreements do not include any material residual value guarantees or restrictive covenants.

Change in Accounting Principles

The City implemented GASB Statement No. 87, *Leases* in the fiscal year ended December 31, 2022. GASB Statement No. 87 establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset.

The adoption of GASB 87 resulted in the recognition of a right to use leased asset and lease liability of \$103,421 as of January 1, 2022. Results for periods prior to December 31, 2022 continue to be reported in accordance with the City's historical accounting treatment. See note 6 for expanded disclosures regarding the City's leases.

Long-Term Debt

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

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

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

Equity Classifications

Government-wide Financial Statements

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

- 1) Net investment in capital assets - Consists of capital and leased assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

any bonds, mortgages, notes, lease liabilities, 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.

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.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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.
- 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.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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.

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, 2022, 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.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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, 2022, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$4,830,528 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.

NOTE 4 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances between primary government funds at December 31, 2022 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.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance 1/1/22	Additions	Deletions	Balance 12/31/22
Governmental Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 148,024	\$ 256,727	\$ -	\$ 404,751
Land	-	4,500	-	4,500
Total capital assets not being depreciated	<u>148,024</u>	<u>261,227</u>	<u>-</u>	<u>409,251</u>
Capital assets being depreciated:				
Equipment	1,718,709	129,403	-	1,848,112
Infrastructure	18,779,059	424,024	-	19,203,083
Total capital assets being depreciated	<u>20,497,768</u>	<u>553,427</u>	<u>-</u>	<u>21,051,195</u>
Less accumulated depreciation:				
Equipment	1,247,149	140,921	-	1,388,070
Infrastructure	4,276,185	805,496	-	5,081,681
Total accumulated depreciation	<u>5,523,334</u>	<u>946,417</u>	<u>-</u>	<u>6,469,751</u>
Total capital assets being depreciated, net	<u>14,974,434</u>	<u>(392,990)</u>	<u>-</u>	<u>14,581,444</u>
Net Capital Assets	<u>\$ 15,122,458</u>	<u>\$ (131,763)</u>	<u>\$ -</u>	<u>\$ 14,990,695</u>
	Balance 1/1/22	Additions	Deletions	Balance 12/31/22
Business-type Activities				
Capital assets being depreciated:				
Equipment	\$ 807,471	\$ 77,304	\$ -	\$ 884,775
Infrastructure	13,618,242	16,352	-	13,634,594
Total capital assets being depreciated	<u>14,425,713</u>	<u>93,656</u>	<u>-</u>	<u>14,519,369</u>
Less accumulated depreciation:				
Equipment	706,116	36,865	-	742,981
Infrastructure	2,269,762	456,229	-	2,725,991
Total accumulated depreciation	<u>2,975,878</u>	<u>493,094</u>	<u>-</u>	<u>3,468,972</u>
Net Capital Assets	<u>\$ 11,449,835</u>	<u>\$ (399,438)</u>	<u>\$ -</u>	<u>\$ 11,050,397</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

	Balance 1/1/22	Additions	Deletions	Balance 12/31/22
Component Units *				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated:				
Equipment	89,099	-	-	89,099
Buildings	1,433,006	-	(285,489)	1,147,517
Building improvements	663,801	-	-	663,801
Infrastructure	1,138,291	-	-	1,138,291
Total capital assets being depreciated	<u>3,324,197</u>	<u>-</u>	<u>(285,489)</u>	<u>3,038,708</u>
Less accumulated depreciation:				
Equipment	77,823	10,094	-	87,917
Buildings	510,085	37,131	(14,909)	532,307
Infrastructure	722,537	35,101	-	757,638
Total accumulated depreciation	<u>1,310,445</u>	<u>82,326</u>	<u>(14,909)</u>	<u>1,377,862</u>
Total capital assets being depreciated, net	<u>2,013,752</u>	<u>(82,326)</u>	<u>(270,580)</u>	<u>1,660,846</u>
Net Capital Assets	<u>\$ 2,023,752</u>	<u>\$ (82,326)</u>	<u>\$ (270,580)</u>	<u>\$ 1,670,846</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, 2022, the Housing Authority, and Convention and Visitors Bureau balances include:

Buildings	\$576,615
Accumulated depreciation – buildings	(256,667)
Depreciation expense	18,333

Depreciation expense for the governmental activities of \$946,417 was charged to Highways and Streets in the Statement of Activities.

NOTE 6 LEASES

Lessee

The City leases copy machines, equipment, vehicles and land. The terms of the leases range from 50-60 months, commencing on January 1, 2022 and terminating at various dates within 2025 – 2042, with an annual rent payments ranging from \$60 – \$75,771, quarterly payments of \$73, and monthly payments ranging from \$77 - \$251.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Following is the total lease expense for the year ended December 31, 2022.

Government-Wide Activities:

Amortization expense by class of underlying asset	
Copy Machine	\$ 5,168
Equipment	846
Land	<u>4,335</u>
Total amortization expense	10,349
Interest on lease liabilities	<u>2,080</u>
Total	<u><u>\$ 12,429</u></u>

Business-Type Activities:

Amortization expense by class of underlying asset	
Vehicle	\$ <u>5,794</u>
Total amortization expense	5,794
Interest on lease liabilities	<u>693</u>
Total	<u><u>\$ 6,487</u></u>

Following is a schedule of activity in leased assets and the lease liability for the year ended December 31, 2022:

Government-Wide Activities:

	Beginning of Year	Additions	Subtractions	End of Year	Amounts Due Within One Year
Lease Assets					
Copy Machine	\$ 12,851	\$ 14,474	\$ -	\$ 27,325	
Equipment	3,877	-	-	3,877	
Land	<u>86,693</u>	<u>-</u>	<u>-</u>	<u>86,693</u>	
	<u>103,421</u>	<u>14,474</u>	<u>-</u>	<u>117,895</u>	
Less: Accumulated Amortization					
Copy Machine	-	(5,168)	-	(5,168)	
Equipment	-	(846)	-	(846)	
Land	<u>-</u>	<u>(4,335)</u>	<u>-</u>	<u>(4,335)</u>	
	<u>-</u>	<u>(10,349)</u>	<u>-</u>	<u>(10,349)</u>	
Total Lease Assets, net	<u>\$ 103,421</u>	<u>\$ 4,125</u>	<u>\$ -</u>	<u>\$ 107,546</u>	
Lease Liabilities	<u>\$ 103,421</u>	<u>\$ 14,223</u>	<u>\$ (9,887)</u>	<u>\$ 107,757</u>	<u>\$ 9,041</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Business-Type Activities:

	Beginning of Year	Additions	Subtractions	End of Year	Amounts Due Within One Year
Lease Assets					
Vehicle	\$ -	\$ 214,363	\$ -	\$ 214,363	
	-	214,363	-	214,363	
Less: Accumulated Amortization					
Vehicle	-	(5,794)	-	(5,794)	
	-	(5,794)	-	(5,794)	
Total Lease Assets, net	\$ -	\$ 208,569	\$ -	\$ 208,569	
Lease Liabilities	\$ -	\$ 138,592	\$ -	\$ 138,592	\$ 67,223

Following is a schedule by years of future minimum rental payments required under the lease:

Government-Wide Activities:

For the year ending December 31,	Principal	Interest	Total
2023	\$ 9,041	\$ 2,033	\$ 11,074
2024	9,284	1,885	11,169
2025	9,534	1,732	11,266
2026	8,467	1,578	10,045
2027	3,780	1,469	5,249
2028-2032	19,150	6,247	25,397
2033-2037	24,432	4,055	28,487
2038-2042	24,069	1,274	25,343
Total	<u>\$ 107,757</u>	<u>\$ 20,273</u>	<u>\$ 128,030</u>

Business-type Activities:

For the year ending December 31,	Principal	Interest	Total
2023	\$ 67,223	\$ 8,548	\$ 75,771
2024	71,369	4,402	75,771
Total	<u>\$ 138,592</u>	<u>\$ 12,950</u>	<u>\$ 151,542</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Lessor

The component units lease land and office space. The terms of the leases range from a period of 9 – 42 years, beginning January 1, 2022. Annual rent payments ranging from \$100 - \$5,474 and are due at various times in the year.

Following is the total lease-related revenue for the year ended December 31, 2022:

Lease Revenue	
Building	\$ 98,198
Land	966
Total Lease Revenue	<u>99,164</u>
Interest Revenue	<u>9,260</u>
Total	<u><u>\$ 108,424</u></u>

Following is a schedule by years of future minimum rental receipts required under the lease:

For the Year Ending December 31,	Principal	Interest	Total Receipts
2023	\$ 97,269	\$ 8,053	\$ 105,322
2024	96,574	6,681	103,255
2025	87,624	5,341	92,965
2026	66,579	4,155	70,734
2027	63,627	3,106	66,733
2028 - 2032	148,961	3,478	152,439
2033 - 2037	1,186	464	1,650
2038 - 2042	1,149	351	1,500
2043 - 2047	859	241	1,100
2048 - 2052	841	159	1,000
2053 - 2057	409	91	500
2058 - 2062	452	48	500
2063 - 2067	194	6	200
Total	<u><u>\$ 565,724</u></u>	<u><u>\$ 32,174</u></u>	<u><u>\$ 597,898</u></u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 7 LONG TERM DEBT

The following is a summary of long term debt transactions of the City of Beulah for the year ended December 31, 2022:

	Balance 1/1/2022	Increases	Decreases	Balance 12/31/2022	Due Within One Year
Governmental Activities					
Note payable	\$ 1,115,831	\$ -	\$ (183,385)	\$ 932,446	\$ 184,816
Direct financing purchases	133,302	-	(49,331)	83,971	49,923
Special assessments	1,860,000	-	(165,000)	1,695,000	165,000
Revenue bonds payable	1,999,672	-	(109,342)	1,890,330	109,947
Bond discount	(17,500)	-	1,830	(15,670)	-
Total	<u>\$ 5,091,305</u>	<u>\$ -</u>	<u>\$ (505,228)</u>	<u>\$ 4,586,077</u>	<u>\$ 509,686</u>
Component Units *					
Notes payable	\$ 423,596	\$ -	\$ (94,331)	\$ 329,265	\$ 41,945
Revenue bonds payable	437,656	-	(12,785)	424,871	12,350
Total	<u>\$ 861,252</u>	<u>\$ -</u>	<u>\$ (107,116)</u>	<u>\$ 754,136</u>	<u>\$ 54,295</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, 2022, the Housing Authority and Convention and Visitors Bureau balances include:

Revenue bonds payable	\$424,871
Payments made on bonds	(12,785)
Notes payable	131,415
Payments made on notes	(18,585)
Due within one year - bonds	12,350
Due within one year - notes	43,813

Long term debt at December 31, 2022 consists of the following individual issues:

Governmental Activities:	Outstanding 12/31/22
<u>Note payable:</u>	
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.	\$ 688,699
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.	159,140

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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.

\$ 84,607

Total notes payable

932,446

Direct financing purchases:

Direct financing purchase 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.

33,572

Direct financing purchase 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.

50,399

Total direct financing purchases

83,971

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.

408,600

\$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.

640,730

\$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.

630,000

Total special assessments

1,679,330

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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.	\$ 370,000
\$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.	325,000
\$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.	683,330
\$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.	144,000
\$345,000 Revenue Bonds of 2018 (Lime Sludge Removal Project), \$260,589 issued as of December 31, 2019 - due in annual principal installments of \$8,000 to \$15,000 through September 1, 2048; semi-annual interest payments with interest rate of 1.50%. Paid by the South Lagoon Lime Removal Project Fund.	<u>368,000</u>
Total revenue bonds payable	<u>1,890,330</u>
Total long term debt - Governmental activities	<u>\$ 4,586,077</u>

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.	\$ 39,349
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CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

\$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.

\$ 289,916

Total notes payable

329,265

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)

424,871

Total long term debt - Component units

\$ 754,136

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, 2022 are as follows:

Governmental Activities

	Notes Payable		Direct Financing Purchases		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 184,816	\$ 21,595	\$ 49,923	\$ 2,444	\$ 165,000	\$ 43,903
2024	189,599	17,018	16,817	971	170,000	39,656
2025	194,606	12,221	17,231	491	175,000	35,153
2026	176,336	7,332	-	-	170,000	30,668
2027	156,139	2,795	-	-	170,000	26,048
2028-2032	30,950	30,950	-	-	730,000	56,048
2033-2037	-	-	-	-	115,000	2,644
Bond discount	-	-	-	-	(15,670)	15,670
	<u>\$ 932,446</u>	<u>\$ 91,911</u>	<u>\$ 83,971</u>	<u>\$ 3,906</u>	<u>\$ 1,679,330</u>	<u>\$ 249,790</u>

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

	Revenue Bonds Payable		Total	
	Principal	Interest	Principal	Interest
2023	\$ 109,947	\$ 30,201	\$ 509,686	\$ 98,143
2024	110,561	28,402	486,977	86,047
2025	112,185	26,594	499,022	74,459
2026	113,817	24,761	460,153	62,761
2027	119,460	22,904	445,599	51,747
2028-2032	618,273	84,727	1,379,223	171,725
2033-2037	527,087	36,168	642,087	38,812
2038-2042	77,000	11,160	77,000	11,160
2043-2047	84,000	5,160	84,000	5,160
2048	18,000	270	18,000	270
Bond discount	-	-	(15,670)	15,670
	<u>\$ 1,890,330</u>	<u>\$ 270,347</u>	<u>\$ 4,586,077</u>	<u>\$ 615,954</u>

Component Units *

	Notes Payable		Revenue Bonds Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 41,945	\$ 14,721	\$ 12,350	\$ 18,910	\$ 54,295	\$ 33,631
2024	43,435	11,925	12,865	18,395	56,300	30,320
2025	44,983	8,798	13,509	17,751	58,492	26,549
2026	46,591	6,468	14,129	17,131	60,720	23,599
2027	45,253	4,890	14,778	16,482	60,031	21,372
2028-2032	107,058	7,425	84,630	67,737	191,688	75,162
2033-2037	-	-	106,002	45,428	106,002	45,428
2038-2042	-	-	132,705	17,499	132,705	17,499
2043-2047	-	-	33,903	25	33,903	25
	<u>\$ 329,265</u>	<u>\$ 54,227</u>	<u>\$ 424,871</u>	<u>\$ 219,358</u>	<u>\$ 754,136</u>	<u>\$ 273,585</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, 2022

NOTE 8 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 9 EMPLOYEE RETIREMENT PLANS

New York Life 457b Plan

The City sponsors a 457b 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. The city contributes 11.26% of each participating employee's base wage. City contributions to the retirement program amounted to \$34,443 in 2022. This plan is closed to new participants.

NDPERS Law Enforcement Retirement System

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

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Firefighters. The Law Enforcement System provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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.

Pension Benefits

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement 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 (55) with three or more years of service. 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 first enrolled in the plan after December 31, 2019 the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 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 in the Law Enforcement 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 Law Enforcement 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 of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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 established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

Plan	Member contribution rate	Employer contribution rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

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

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

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

At December 31, 2022, if the City were to report on the full accrual basis, a liability of \$135,973 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll/contributions in the Law Enforcement System pension plan relative to the covered payroll/contributions of all participating Law Enforcement System employers. At June 30, 2022, the Employer's proportion was 2.153865 percent, which is a decrease of 0.436107 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 \$29,963 for the year ended December 31, 2022.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Actuarial Assumptions

The total pension liability in the July 1, 2022 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	5.10%, net of investment expenses
Cost-of-living adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.45%
Private Equity	7%	9.20%
Domestic Fixed Income	23%	0.34%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.35%
Cash Equivalents	0%	0.00%

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.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

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

NDPERS Main Retirement System

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

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

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

Pension Benefits

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

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

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

At December 31, 2022, if the City were to report on the full accrual basis, a liability of \$1,532,714 for its proportionate share of the net pension liability would have been reported. The net pension liability was measured as of June 30, 2022, 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, 2022, the Employer's proportion was 0.053218 percent, which is an increase of 0.007200 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 pension contributions were \$358,556 for the year ended December 31, 2022.

Actuarial assumptions

The total pension liability in the July 1, 2022 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	5.10%, 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%	5.75%
International Equity	21%	6.45%
Private Equity	7%	9.20%
Domestic Fixed Income	23%	0.34%
Global Real Assets	19%	4.35%

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

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

NOTE 10 OTHER POST RETIREMENT BENEFITS

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, 2022

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, 2022, if the City were to report on the full accrual basis, a liability of \$88,208 would have been reported. The net OPEB liability was measured as of June 30, 2022, 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, 2022 the Employer's proportion was 0.0735 percent, which is a 0.006608 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 \$23,562 for the year ended December 31, 2022.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 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	5.75%, 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, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad US Equities	39%	5.75%
International Equities	26%	6.00%
Core-Plus Fixed Income	35%	0.22%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.39%. 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 required supplementary information for NDPERS. That report may be obtained by writing to

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 11 CONCENTRATIONS OF CREDIT RISK

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

NOTE 12 FUND BALANCE/NET POSITION

At December 31, 2022, a summary of the governmental fund balance classifications are as follows:

	General Fund	Municipal Infrastructure Fund	Public Buildings Fund	Non-major Governmental Funds	Total
Restricted for:					
City Improvements	\$ -	\$ 1,001,116	\$ -	\$ 873,005	\$ 1,874,121
Roads	-	-	-	806,741	806,741
Library	-	-	-	75,672	75,672
Emergency	-	-	-	98,693	98,693
Cemetery	-	-	-	79,442	79,442
Swimming Pool	-	-	-	46,310	46,310
Unassigned	2,417,704	-	(14,135)	-	2,403,569
	<u>\$ 2,417,704</u>	<u>\$ 1,001,116</u>	<u>\$ (14,135)</u>	<u>\$ 1,979,863</u>	<u>\$ 5,384,548</u>

NOTE 13 LEGAL COMPLIANCE (BUDGETS)

The City's governing board amended the budgets during the year ended December 31, 2022. 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 by \$91,080. No remedial action is anticipated or required by the City regarding these excess expenditures.

NOTE 14 DEFICIT FUND BALANCES

The Public Buildings fund and Garbage fund had a deficit fund balance as of December 31, 2022 of \$14,135 and \$66,762, respectively, this will be alleviated by grant revenue.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 15 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, 2022:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General	\$ 336,484	\$ 362,671
Non-major	658,998	34,395
Proprietary Funds:		
Water	-	362,495
Sewer	-	129,020
Garbage	76,071	99,566
Non-major	25,000	108,406
	<u>\$ 1,096,553</u>	<u>\$ 1,096,553</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 16 NEW ACCOUNTING PRONOUNCEMENTS

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

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

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of

CITY OF BEULAH
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 17 COMMITMENTS

The City has a geographic information systems project and the corridor planning projects are in progress as of December 31, 2022. These projects have an expected total cost of approximately \$250,000 and has a remaining estimated cost to complete of approximately \$67,275.

They City is in the preliminary stages of a Main street project to be in progress beginning in 2023. The low bid for this project was approved on April 26, 2023 for an estimated cost, excluding engineering and contingency costs, of \$7,837,128. The City has total amounts paid on this project total \$248,542 as of December 31, 2022.

NOTE 18 SUBSEQUENT EVENTS

No significant events occurred subsequent to the City's year end. Subsequent events have been evaluated through May 9, 2023, 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, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	\$ 1,374,600	\$ 1,629,168	\$ 587,574	\$ (1,041,594)
Licenses and permits	20,275	20,275	25,850	5,575
Intergovernmental	130,300	130,300	1,279,347	1,149,047
Charges for services	76,820	326,820	252,611	(74,209)
Fines and forfeits	25,500	25,500	39,170	13,670
Interest	10,000	10,000	7,920	(2,080)
Miscellaneous	72,200	72,200	131,794	59,594
Total revenues	<u>1,709,695</u>	<u>2,214,263</u>	<u>2,324,266</u>	<u>110,003</u>
EXPENDITURES				
Current:				
General government	868,680	853,680	963,853	110,173
Public safety	859,600	859,600	833,792	(25,808)
Highways and streets	485,480	485,480	494,256	8,776
Culture and recreation	82,990	82,990	52,539	(30,451)
Health and welfare	12,500	12,500	17,391	4,891
Economic development	133,860	133,860	119,699	(14,161)
Debt Service:				
Principal retirement	-	-	9,887	9,887
Interest and fiscal charges	-	-	-	-
Capital outlays	-	-	27,773	27,773
Total expenditures	<u>2,443,110</u>	<u>2,428,110</u>	<u>2,519,190</u>	<u>91,080</u>
Excess (deficiency) of revenues over expenditures	<u>(733,415)</u>	<u>(213,847)</u>	<u>(194,924)</u>	<u>18,923</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	323,000	323,000	336,484	13,484
Transfers out	(346,751)	(316,041)	(362,671)	(46,630)
Proceeds from capital lease	-	-	14,223	14,223
Total other financing sources (uses)	<u>(23,751)</u>	<u>6,959</u>	<u>(11,964)</u>	<u>(18,923)</u>
Net change in fund balances	<u>\$ (757,166)</u>	<u>\$ (206,888)</u>	<u>(206,888)</u>	<u>\$ -</u>
Fund balance - beginning of year			<u>2,624,592</u>	
Fund balance - end of year			<u>\$ 2,417,704</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, 2022, 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 9, 2023. 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 that we consider to be material weaknesses.

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 9, 2023

CITY OF BEULAH
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2022

2022-001: 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.

2022-002: 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, 2022

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.