

# **CITY OF BEACH**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022**

WITH INDEPENDENT AUDITOR'S REPORT

**CITY OF BEACH**  
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**DECEMBER 31, 2022**

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**CITY OF BEACH**  
**CITY OFFICIALS**  
**DECEMBER 31, 2022**

**City Council**

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

**City Officials**

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



## *Independent Auditor's Report*

City Council  
City of Beach

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beach, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Beach, State of North Dakota's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beach, 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 accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Beach and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of

Beach's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Beach's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Beach's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of the employer's share of net OPEB liability and employer contributions, schedule of the employer's share of net pension liability and employer contributions, schedule of revenues, expenditures, and changes in fund balances – comparison of budget to actual general fund, schedule of revenues, expenditures, and changes in fund balances – comparison of budget to actual special revenue fund, and notes to the required supplementary information on pages 38 – 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### ***Other Information***

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

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

### ***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, the Board has adopted the provisions of Government Accounting Standards Statement No. 87, *Leases*, as amended, for the year ended December 31, 2022. There has been effect on the prior year's financial statement. Our opinions are not modified with respect to this matter.

As discussed in Note 2, to the financial statements, the Board has adopted the provisions of Government Accounting Standards Statement No. 96, *Subscription-Based Information Technology Agreements*, for the year ended December 31, 2022.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2025, on our consideration of the City of Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Beach'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 Beach's internal control over financial reporting and compliance.

*Pont CPA, Inc.*

Bismarck, North Dakota  
May 20, 2025

**CITY OF BEACH**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,247,772	\$ 336,239	\$ 1,584,011
Intergovernmental receivable	256,635	-	256,635
Taxes receivable	4,520	-	4,520
Special assessments receivable	3,421	2,538	5,959
Accounts receivable	-	48,707	48,707
Other receivables	-	2,696	2,696
Restricted cash	-	42,485	42,485
Other assets	-	5,000	5,000
Capital assets			
Nondepreciable	161,168	221,217	382,385
Depreciable, net	2,362,932	5,857,612	8,220,544
Total assets	<u>4,036,448</u>	<u>6,516,494</u>	<u>10,552,942</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
OPEB	14,038	5,070	19,108
Pensions	364,230	131,590	495,820
Total deferred outflows of resources	<u>378,268</u>	<u>136,660</u>	<u>514,928</u>
<b>LIABILITIES</b>			
Accounts payable	10,080	22,643	32,723
Interest payable	3,972	8,463	12,435
Other payables	8,823	1,771	10,594
Noncurrent liabilities			
Due within one year			
Financing lease payable	6,436	-	6,436
Note payables	36,964	20,979	57,943
Due in more than one year			
Compensated absences	21,798	9,278	31,076
Financing lease payable	27,349	-	27,349
Long term debt	1,119,456	1,082,179	2,201,635
Net OPEB liability	24,449	8,833	33,282
Net pension liability	521,752	188,502	710,254
Total liabilities	<u>1,781,079</u>	<u>1,342,648</u>	<u>3,123,727</u>

See Notes to the Financial Statements



**CITY OF BEACH**  
**STATEMENT OF NET POSITION - CONTINUED**  
**DECEMBER 31, 2022**

OPEB	1,366	494	1,860
Pensions	<u>213,537</u>	<u>77,148</u>	<u>290,685</u>
Total deferred inflows of resources	<u>214,903</u>	<u>77,642</u>	<u>292,545</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,404,644	4,996,650	6,401,294
Restricted for:			
Municipal highway	111,716	-	111,716
Infrastructure and community enhancement	235,823	-	235,823
City occupancy	19,852	-	19,852
Special assessment	25,724	-	25,724
Emergency	19,606	-	19,606
City park	100,746		100,746
Other	-	42,485	42,485
Unrestricted	<u>500,623</u>	<u>193,729</u>	<u>694,352</u>
Total net position	<u>\$ 2,418,734</u>	<u>\$ 5,232,864</u>	<u>\$ 7,651,598</u>

See Notes to the Financial Statements

**CITY OF BEACH**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

		Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services, Fines, and Forfeitures	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities	\$ 473,365	\$ -	\$ -	\$ -	\$ (473,365)	\$ -	\$ (473,365)
Public safety	133,093	25	-	-	(133,068)	-	(133,068)
Public works	590,609	-	83,028	73,649	(433,932)	-	(433,932)
Public health	19,531	-	-	-	(19,531)	-	(19,531)
Culture and recreation	47,295	-	-	100,746	53,451	-	53,451
Total governmental activities	1,263,893	25	83,028	174,395	(1,006,445)	-	(1,006,445)
Business-type activities							
Water	406,201	367,590	-	-	-	(38,611)	(38,611)
Sewer	128,752	117,270	-	6,460	-	(5,022)	(5,022)
Garbage	169,521	156,986	-	-	-	(12,535)	(12,535)
Non-major	30,747	20,980	-	-	-	(9,767)	(9,767)
Total business-type activities	735,221	662,826	-	6,460	-	(65,935)	(65,935)
Total primary government	\$ 1,999,114	\$ 662,851	\$ 83,028	\$ 180,855	(1,006,445)	(65,935)	(1,072,380)
General revenue							
Property taxes					239,710	-	239,710
Special assessments					1,019	12,527	13,546
City sales tax					152,327	-	152,327
Licenses and permits					7,420	-	7,420
Oil and gas production tax					279,876	-	279,876
State aid and revenues not restricted to specific programs					270,241	-	270,241
Unrestricted interest income					1,412	-	1,412
Gain on sale of capital asset					15,675	-	15,675
Miscellaneous					20,415	15,748	36,163
Total general revenues					988,095	28,275	1,016,370
Change in net position					(18,350)	(37,660)	(56,010)
Net position, beginning of year					2,437,084	5,270,524	7,707,608
Net position, end of year					\$ 2,418,734	\$ 5,232,864	\$ 7,651,598

See Notes to the Financial Statements

**CITY OF BEACH**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2022**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 621,302	\$ 301,944	\$ 324,526	\$ 1,247,772
Intergovernmental receivable	208,955	45,595	2,083	256,633
Taxes receivable	4,296	-	224	4,520
Special assessments receivable	4,500	-	(1,079)	3,421
	<u>839,053</u>	<u>347,539</u>	<u>325,754</u>	<u>1,512,346</u>
Total assets				
	<u>839,053</u>	<u>347,539</u>	<u>325,754</u>	<u>1,512,346</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	10,079	-	-	10,079
Other payables	-	-	8,823	8,823
	<u>10,079</u>	<u>-</u>	<u>8,823</u>	<u>18,902</u>
Total liabilities				
	<u>10,079</u>	<u>-</u>	<u>8,823</u>	<u>18,902</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable property taxes	8,795	-	(855)	7,940
	<u>8,795</u>	<u>-</u>	<u>(855)</u>	<u>7,940</u>
<b>FUND BALANCES</b>				
Restricted for:				
Municipal highway	-	111,716	-	111,716
Infrastructure & community enhancement	-	235,823	-	235,823
City occupancy	-	-	19,852	19,852
Special assessment	-	-	25,724	25,724
Emergency	-	-	19,606	19,606
City park	-	-	100,746	100,746
Committed for:				
Pool Sales Tax	-	-	2,771	2,771
Walking/Biking Path	-	-	9,870	9,870
Assigned for				
Capital projects	-	-	118,562	118,562
Tri-Centennial	-	-	3,355	3,355
Unassigned	820,179	-	17,300	837,479
	<u>820,179</u>	<u>347,539</u>	<u>317,786</u>	<u>1,485,504</u>
Total fund balances				
	<u>820,179</u>	<u>347,539</u>	<u>317,786</u>	<u>1,485,504</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 839,053</u>	<u>\$ 347,539</u>	<u>\$ 325,754</u>	<u>\$ 1,512,346</u>

See Notes to the Financial Statements

**CITY OF BEACH**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

Total fund balance, governmental funds	\$ 1,485,504
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Amounts reported for governmental activities in the  
Statement of Net Position are different because:

Capital assets used in governmental activities  
are not current financial resources and  
therefore are not reported in the  
governmental funds

Cost of capital assets	4,594,443	
Less accumulated depreciation	<u>(2,070,343)</u>	
Net capital assets		2,524,100

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

7,940

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

(371,058)

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

(11,777)

Noncurrent liabilities applicable to the City's  
governmental activities are not due and payable  
in the current period and accordingly are not  
reported as fund liabilities. All liabilities - both  
current and concurrent, are reported in the  
Statement of Net Position. Balances at  
December 31, 2022 are:

Compensated absences	(21,798)	
Interest payable	(3,972)	
Notes payable	(1,156,420)	
Financing lease	<u>(33,785)</u>	
Total noncurrent liabilities		<u>(1,215,975)</u>

Net position of governmental activities in the  
Statement of Net Position

\$ 2,418,734

**CITY OF BEACH**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Revenues				
Taxes	\$ 158,800	\$ -	\$ 80,988	\$ 239,788
Licenses and permits	7,420	-	-	7,420
Intergovernmental revenues	550,117	196,985	28,992	776,094
Fines and forfeitures	25	-	-	25
Donation	-	-	100,746	100,746
Other income	103,440	-	-	103,440
Investments and royalty income	1,206	-	206	1,412
Total revenues	<u>821,008</u>	<u>196,985</u>	<u>210,932</u>	<u>1,228,925</u>
Expenditures				
Current				
General government	203,338	-	-	203,338
Public safety	120,211	-	-	120,211
Public works	346,520	190,646	3,000	540,166
Public health	19,531	-	-	19,531
Culture and recreation	6,982	-	28,830	35,812
Community development	-	-	9,388	9,388
Debt service				
Principal	6,878	-	49,303	56,181
Interest	-	-	24,565	24,565
Total expenditures	<u>703,460</u>	<u>190,646</u>	<u>115,086</u>	<u>1,009,192</u>
Excess (deficiency) of revenues over expenditures	<u>117,548</u>	<u>6,339</u>	<u>95,846</u>	<u>219,733</u>
Net change in fund balance	117,548	6,339	95,846	219,733
Fund balance, beginning of year	<u>702,631</u>	<u>341,200</u>	<u>221,940</u>	<u>1,265,771</u>
Fund balance, end of year	<u>\$ 820,179</u>	<u>\$ 347,539</u>	<u>\$ 317,786</u>	<u>\$ 1,485,504</u>

See Notes to the Financial Statements

**CITY OF BEACH**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES WITH THE**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

Net change in fund balances - total governmental funds	\$	219,733
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Amounts reported for governmental activities in the  
Statement of Activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		941
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital asset additions	130,865	
Gain on sale of capital assets	15,675	
Current year depreciation and amortization	<u>(227,032)</u>	
		(80,492)

Changes to compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		7,197
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Some expenses reported in the statement of activities activities do not require the use of current financial resources, and, therefore, not reported as expenditures in governmental funds.		(207,407)
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Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		35,326
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Repayment of financing lease payable is an expenditure in the in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		6,352
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Change in net position - statement of activities	\$	<u>(18,350)</u>
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**CITY OF BEACH**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**DECEMBER 31, 2022**

	<b>Water</b>	<b>Sewer</b>	<b>Garbage</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 85,132	\$ 99,148	\$ 101,436	\$ 50,523	\$ 336,239
Special assessments receivable	-	7,148	-	-	7,148
Accounts receivable	23,715	10,474	14,518	-	48,707
Other receivables	2,696	-	-	-	2,696
Other assets	5,000	-	-	-	5,000
Total current assets	116,543	116,770	115,954	50,523	399,790
<b>NONCURRENT ASSETS</b>					
Restricted cash	20,513	21,972	-	-	42,485
Capital assets					
Nondepreciable	-	216,307	4,910	-	221,217
Depreciable, net	2,315,969	3,012,613	198,541	330,489	5,857,612
Total non-current assets	2,336,482	3,250,892	203,451	330,489	6,121,314
Total assets	2,453,025	3,367,662	319,405	381,012	6,521,104
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
OPEB	2,165	57	2,847	-	5,069
Pension	56,226	1,487	73,879	-	131,592
Total deferred outflows of resources	58,391	1,544	76,726	-	136,661
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	6,466	20,789	-	-	27,255
Accrued bond interest	3,560	4,903	-	-	8,463
Notes payable	14,159	6,820	-	-	20,979
Other payables	1,596	-	-	174	1,770
Total current liabilities	25,781	32,512	-	174	58,467
<b>NONCURRENT LIABILITIES</b>					
Compensated absences	6,361	-	2,917	-	9,278
Notes payable	628,771	453,408	-	-	1,082,179
Net OPEB liability	3,774	100	4,959	-	8,833
Net pension liability	80,543	2,131	105,828	-	188,502
Total noncurrent liabilities	719,449	455,639	113,704	-	1,288,792
Total liabilities	745,230	488,151	113,704	174	1,347,259

See Notes to the Financial Statements

**CITY OF BEACH**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS - CONTINUED**  
**DECEMBER 31, 2022**

DEFERRED INFLOWS OF RESOURCES					
OPEB	211	6	277	-	494
Pension	<u>32,964</u>	<u>872</u>	<u>43,312</u>	<u>-</u>	<u>77,148</u>
Total deferred inflows of resources	<u>33,175</u>	<u>878</u>	<u>43,589</u>	<u>-</u>	<u>77,642</u>
NET POSITION					
Net investment in capital assets	1,687,198	2,775,512	203,451	330,489	4,996,650
Restricted	20,513	21,972	-	-	42,485
Unrestricted	<u>25,300</u>	<u>82,693</u>	<u>35,387</u>	<u>50,349</u>	<u>193,729</u>
Total net position	<u>\$ 1,733,011</u>	<u>\$ 2,880,177</u>	<u>\$ 238,838</u>	<u>\$ 380,838</u>	<u>\$ 5,232,864</u>

See Notes to the Financial Statements



**CITY OF BEACH**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Revenues					
Charges for services	\$ 367,590	\$ 117,270	\$ 156,986	\$ 20,980	\$ 662,826
Grant revenues	-	6,460	-	-	6,460
Special assessments	12,527	-	-	-	12,527
Total operating revenues	<u>380,117</u>	<u>123,730</u>	<u>156,986</u>	<u>20,980</u>	<u>681,813</u>
Expenses					
Personal services	66,253	1,484	79,101	-	146,838
Supplies	31,274	28,430	19,199	1,221	80,124
Purchased services	202,534	8,886	45,097	12,828	269,345
Repairs	32,600	9,303	3,377	2,424	47,704
Depreciation	62,954	63,856	22,747	14,274	163,831
Total operating expenses	<u>395,615</u>	<u>111,959</u>	<u>169,521</u>	<u>30,747</u>	<u>707,842</u>
Operating income (loss)	<u>(15,498)</u>	<u>11,771</u>	<u>(12,535)</u>	<u>(9,767)</u>	<u>(26,029)</u>
Nonoperating revenues (expenses)					
Interest	(10,585)	(14,668)	-	-	(25,253)
Miscellaneous (expense)	-	(2,125)	-	-	(2,125)
Miscellaneous income	3,317	-	12,430	-	15,747
Total nonoperating revenues (expenses)	<u>(7,268)</u>	<u>(16,793)</u>	<u>12,430</u>	<u>-</u>	<u>(11,631)</u>
Net income (loss) before transfers	(22,766)	(5,022)	(105)	(9,767)	(37,660)
Change in net position	<u>(22,766)</u>	<u>(5,022)</u>	<u>(105)</u>	<u>(9,767)</u>	<u>(37,660)</u>
Total net position, beginning of year	1,755,777	2,885,199	238,943	390,605	5,270,524
Total net position, end of year	<u>\$ 1,733,011</u>	<u>\$ 2,880,177</u>	<u>\$ 238,838</u>	<u>\$ 380,838</u>	<u>\$ 5,232,864</u>

See Notes to the Financial Statements

**CITY OF BEACH**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Water	Sewer	Garbage	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 388,937	\$ 119,238	\$ 155,389	\$ 20,754	\$ 684,317
Other receipts	22,824	6,460	12,430	-	41,714
Payments to suppliers	(277,243)	(63,414)	(67,673)	(16,473)	(424,803)
Payments to employees	(102,905)	(52,319)	(100,525)	-	(255,748)
Net cash provided by (used for) operating activities	31,613	9,966	(379)	4,281	45,481
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Payments on bond debt	(14,857)	(6,613)	-	-	(21,470)
Net cash provided by (used by) capital and related financing activities	(14,857)	(6,613)	-	-	(21,470)
NET CHANGE IN CASH AND CASH EQUIVALENTS	16,756	3,353	(379)	4,281	24,011
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>88,889</b>	<b>117,767</b>	<b>101,815</b>	<b>46,242</b>	<b>354,712</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 105,645</b>	<b>\$ 121,120</b>	<b>\$ 101,436</b>	<b>\$ 50,523</b>	<b>\$ 378,723</b>
Reconciliation of cash and cash equivalents					
Cash	\$ 85,132	\$ 99,148	\$ 101,436	\$ 50,523	\$ 336,239
Restricted cash	20,513	21,972	-	-	42,485
Total cash and cash equivalents	\$ 105,645	\$ 121,120	\$ 101,436	\$ 50,523	\$ 378,724
Reconciliation of operating loss to net cash provided by operating activities					
Operating income (loss)	\$ (15,498)	\$ 11,771	\$ (12,535)	\$ (9,767)	\$ (26,029)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities					
Depreciation expense	65,101	63,856	22,747	14,274	165,978
Effects on cash flows due to changes in					
Accounts receivable	21,349	1,968	(1,595)	-	21,721
Deferred outflows	22,086	33,979	5,635	-	61,699
Accounts payable	4,358	6,818	-	(226)	10,950
Deferred inflows	(89,546)	(77,410)	(68,898)	-	(235,854)
Compensated absences	(2,030)	-	(1,518)	-	(3,548)
Net pension and OPEB liabilities	25,794	(31,016)	55,786	-	50,563
Net cash provided by (used in) operating activities	\$ 31,613	\$ 9,966	\$ (379)	\$ 4,281	\$ 45,481

See Notes to the Financial Statements

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Financial Reporting Entity**

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

**Measurement Focus and Basis of Accounting**

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

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

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

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

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

**Government-Wide Financial Statements**

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

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

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

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

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

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Fund Financial Statements**

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

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

**Financial Statement Presentation**

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

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

**Budgets and Budgetary Accounting**

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

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

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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

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

**Cash and Cash Equivalents**

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

**Restricted Cash**

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

**Capital Assets**

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

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

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

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

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

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

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2022.

**Compensated Absences**

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

**Other Post-Employment Benefits (OPEB)**

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

**Pensions**

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

**Deferred Outflows and Inflows of Resources**

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

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

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Long-Term Debt**

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

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

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

**Net Position and Fund Balance**

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

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

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

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

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



**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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

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

#### **Internal and Interfund Balances and Activities**

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

#### **Property Taxes**

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

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

#### **Abatements**

A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. As of December 31, 2022, the City of Beach has one property with a tax abatement that runs through 2023. The abatement is granted under North Dakota Century Code 40-57-1-03, Tax Incentives for New or Expanding Businesses.

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Use of Estimates**

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

**NOTE 2 – IMPLEMENTATION FO NEW GASB STANDARDS**

As of January 1, 2022, the City adopted GASB Statement No. 87, *Leases*, as amended. The implementation of the standard establishes a single model for lease accounting based on the fundamental principle that leases are financing the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Implementing this standard did not have any effect on the beginning net position.

As of January 1, 2022, the City adopted GASB Statement No. 96, *subscription-based information technology arrangements*. The implementation of the standard established that a subscription-based information technology arrangements results in a right-to-use subscription asset and subscription liability. Implementing this standard did not have any effect on the beginning net position.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

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

Custodial Credit Risk

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

At year end December 31, 2022, the City's carrying amount of deposits was \$1,626,496 and the bank balance was \$1,785,173. Of the bank balances all were covered by Federal Depository Insurance or coverage substantially the same as that provided by federal deposit insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable consists of billings for December and accounts delinquent at December 31, 2022.

**NOTE 5 – INTERGOVERNMENTAL RECEIVABLE**

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

**NOTE 6 – RELATED PARTY TRANSACTIONS**

In the year ended December 31, 2022, the City of Beach had \$38,030 of transactions with Marman Plumbing and Construction, which is owned by a council member. All transactions were for various repairs and maintenance expenses incurred throughout the year.

**NOTE 7 – CAPITAL ASSETS**

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

<b>Governmental Activities</b>	<b>Balance 01/01/2022</b>	<b>Additions</b>	<b>Transfers</b>	<b>Reductions</b>	<b>Balance 12/31/2022</b>
Capital assets not being depreciated					
Land	\$ 161,168	\$ -	\$ -	\$ -	\$ 161,168
Total capital assets not being depreciated	161,168	-	-	-	161,168
Capital assets being depreciated					
Buildings and infrastructure	665,549	-	-	-	665,549
Machinery and equipment	1,154,435	233,114	-	(165,100)	1,222,449
Financing Right-to-Use Assets	54,408	-	-	-	54,408
Improvements other than buildings	2,465,549	44,751	-	-	2,510,300
Total capital assets being depreciated	4,339,941	277,865	-	(165,100)	4,452,706
Less accumulated depreciation					
Buildings and infrastructure	455,615	11,830	-	-	467,445
Machinery and equipment	716,172	63,885	-	(33,775)	746,282
Financing Right-to-Use Assets	11,659	7,773	-	-	19,432
Improvements other than buildings	713,071	143,544	-	-	856,615
Total accumulated depreciation	1,896,517	227,032	-	(33,775)	2,089,774
Total capital assets being depreciated	2,443,424	50,833	-	(131,325)	2,362,932
Governmental capital assets, net	\$ 2,604,592	\$ 50,833	\$ -	\$ (131,325)	\$ 2,524,100

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

General government	\$ 30,746
Public safety	12,882
Public works	181,309
Social and economic services	<u>2,095</u>
Total depreciation expense	<u><u>\$ 227,032</u></u>

<b>Business-Type Activities</b>	<b>Balance 01/01/2022</b>	<b>Additions</b>	<b>Transfers</b>	<b>Reductions</b>	<b>Balance 12/31/2022</b>
Capital assets not being depreciated					
Land	\$ 221,217	\$ -	\$ -	\$ -	\$ 221,217
Total capital assets not being depreciated	<u>221,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,217</u>
Capital assets being depreciated					
Buildings and infrastructure	1,154,820	-	-	-	1,154,820
Machinery and equipment	287,663	-	-	-	287,663
Improvements other than buildings	4,591,444	-	-	-	4,591,444
Other capital assets	<u>1,119,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,119,451</u>
Total capital assets being depreciated	<u>7,153,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,153,378</u>
Less accumulated depreciation					
Buildings and infrastructure	934,339	118,826	-	-	1,053,165
Machinery and equipment	112,773	20,076	-	-	132,849
Other capital assets	<u>82,676</u>	<u>27,076</u>	<u>-</u>	<u>-</u>	<u>109,752</u>
Total accumulated depreciation	<u>1,129,788</u>	<u>165,978</u>	<u>-</u>	<u>-</u>	<u>1,295,766</u>
Total capital assets being depreciated	<u>6,023,590</u>	<u>(165,978)</u>	<u>-</u>	<u>-</u>	<u>5,857,612</u>
Business-type capital assets, net	<u><u>\$ 6,244,807</u></u>	<u><u>\$ (165,978)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,078,829</u></u>

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

Water	\$ 65,101
Sewer	63,856
Garbage	22,747
Other	<u>14,274</u>
Total depreciation expense	<u><u>\$ 165,978</u></u>

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 8 - TRANSFERS**

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

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

There were no transfers for the year ending December 31, 2022.

**NOTE 9 – LONG-TERM DEBT**

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

<b>Governmental Activities</b>	<b>Balance 01/01/2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/2022</b>	<b>Due Within One Year</b>
Compensated absences	\$ 28,995	\$ -	\$ 7,197	\$ 21,798	\$ -
Financing lease	40,137	-	6,352	33,785	6,436
General obligation loan	1,191,746	-	35,326	1,156,420	36,964
Total	<u>\$ 1,260,878</u>	<u>\$ -</u>	<u>\$ 48,875</u>	<u>\$ 1,212,003</u>	<u>\$ 43,400</u>
<b>Business-Type Activities</b>	<b>Balance 01/01/2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 12/31/2022</b>	<b>Due Within One Year</b>
Compensated absences	\$ 12,826	\$ -	\$ 3,548	\$ 9,278	\$ -
Sewer revenue bonds	466,842	-	6,692	460,150	6,820
Water revenue bonds	657,787	-	14,779	643,008	14,159
Total	<u>\$ 1,137,455</u>	<u>\$ -</u>	<u>\$ 25,019</u>	<u>\$ 1,112,436</u>	<u>\$ 20,979</u>

Outstanding debt at December 31, 2022 (excluding compensated absences) consisted of the following issues:

**General Obligation Loan**

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

\$ 1,156,420

Total General Obligation Loan

\$ 1,156,420

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Business-Type Activities**

\$482,000 Sewer Revenue Bonds, Series 2019; due in annual installments of \$21,281 through May 2059; interest at 3.125% paid annually; liquidated with revenues generated for services provided out of the sewer fund. \$ 460,150

Water Revenue Bonds, Series 2020; Original bond amount was \$160,501. In 2020 \$120,372 of the debt was forgiven. In fiscal year 2022 interest payments began on March 1 and principal and interest payments will begin on September 1 with an interest rate of 1.5%. 358,000

Water Revenue Bonds, Series 2021; Original bond amount is for \$290,000. Annual interest and principal payments start April 15, 2022 with an interest rate of 1.75% through April 15, 2061. 285,008

Total business-type activities bonds \$ 1,103,158

The annual maturity of long-term debt of the City, except compensated absences payable, as of December 31, 2022 is as follows:

Year Ended December 31	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	36,964	22,927	59,891	20,979	24,817	45,796
2024	37,707	22,184	59,891	21,282	24,379	45,661
2025	38,465	21,426	59,891	22,594	23,932	46,526
2026	39,238	20,653	59,891	22,913	23,463	46,376
2027-2031	208,343	91,112	299,455	121,685	109,930	231,615
2032-2036	230,140	69,315	299,455	137,107	96,428	233,535
2037-2041	254,218	45,237	299,455	152,901	81,134	234,035
2042-2046	280,815	18,640	299,455	172,274	63,841	236,115
2047-2051	29,649	296	29,945	193,474	44,166	237,640
2052-2056	-	-	-	132,781	24,349	157,130
2057-2061	-	-	-	107,873	6,300	114,173

**NOTE 10 – FINANCING LEASE OBLIGATIONS**

The City entered into a capital lease for a Case-IH Farmall 120C for \$56,900 on May 19, 2020. The lease calls for annual payments of \$6,878 with interest incurring at 1.31% annually. Interest paid on finance leases as of December 31, 2022 was \$526. Accumulated amortization of assets under the finance lease for December 31, 2022 totaled \$19,431.

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

2023	\$ 6,878
2024	6,878
2025	6,878
2026	6,878
2027	7,611
Thereafter	<u>-</u>
Total minimum lease payments	35,123
Less: amount representing interest	<u>1,338</u>
Present value of net minimum lease payments	33,785
Less: current maturities of financing lease obligations	<u>6,436</u>
Long-term financing lease obligations	<u><u>\$ 27,349</u></u>

**NOTE 11 – FUND BALANCE**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Restricted for				
Municipal highway	\$ -	\$ 111,716	\$ -	\$ 111,716
Infrastructure & community en	-	235,823	-	235,823
City occupancy	-	-	19,852	19,852
Special assessment	-	-	25,724	25,724
Emergency			19,606	19,606
City Park			100,746	100,746
Committed for	-	-		-
Pool Sales Tax	-	-	2,771	2,771
Walking/Biking Path	-	-	9,870	9,870
Assigned for				
Capital projects	-	-	118,562	118,562
Tri-Centennial	-	-	3,355	3,355
Unassigned	<u>820,179</u>	<u>-</u>	<u>17,300</u>	<u>837,479</u>
	<u><u>\$ 820,179</u></u>	<u><u>\$ 347,539</u></u>	<u><u>\$ 317,786</u></u>	<u><u>\$ 1,485,504</u></u>

**NOTE 12 – OPEB PLAN**

**General Information about the OPEB Plan**

***North Dakota Public Employees Retirement System***

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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

**OPEB Benefits**

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

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

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.



**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

At December 31, 2022, the Employer reported a liability of \$33,282 for its proportionate share of the net OPEB liability. 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 0.0277828 percent, which was an increase of 0.0277828 percent from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Employer recognized OPEB expense of \$6,492. At December 31, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 791	\$ 286
Changes of assumptions	8,383	-
Net difference between projected and actual earnings on OPEB plan investments	4,481	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,422	1,574
Employer contributions subsequent to the measurement date (see below)	<u>1,632</u>	<u>-</u>
Total	<u>\$ 20,709</u>	<u>\$ 1,860</u>

\$1,632 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2023.

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

Year ended December 31:	
2023	\$ 4,445
2024	4,210
2025	4,262
2026	4,300
2027	-
Thereafter	-

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 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	2.25%
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, 2021 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large cap domestic equities	33%	5.85%
Small cap domestic equities	6%	6.75%
Domestic fixed income	35%	0.50%
International equities	26%	6.25%

**Discount rate.** The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory 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.

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

***Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.***

The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	<b>1% Decrease 4.39%</b>	<b>Current Discount 5.39%</b>	<b>1% Increase 6.39%</b>
Employer's proportionate share of the net OPEB liability	\$ 42,483	\$ 33,282	\$ 25,559

**NOTE 13 – PENSION PLAN**

**General Information about the Pension Plan**

***North Dakota Public Employees Retirement System (Main System)***

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

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

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

***Pension Benefits***

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

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

***Death and Disability Benefits***

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

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

***Refunds of Member Account Balance***

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

***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 BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

At December 31, 2022, the Employer reported a liability of \$710,254 for its proportionate share of the net pension liability. 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 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 0.024661 percent, which was an decrease of 0.000112 percent from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the Employer recognized pension expense of \$107,246. At December 31, 2022, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,704	\$ 13,567
Changes of assumptions	424,742	263,316
Net difference between projected and actual earnings on pension plan investments	25,995	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	41,042	13,802
Employer contributions subsequent to the measurement date (see below)	<u>10,521</u>	<u>-</u>
Total	<u>\$ 506,004</u>	<u>\$ 290,685</u>

\$10,521 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023.

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

Year ended December 31:	
2023	\$ 71,427
2024	64,836
2025	3,296
2026	65,239
2027	-
Thereafter	-

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	30%	6.00%
International equity	21%	6.70%
Private equity	7%	9.50%
Domestic fixed income	23%	0.73%
Global real assets	19%	4.77%

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

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is 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

**CITY OF BEACH**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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%.

***Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.*** The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 5.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.10 percent) or 1-percentage-point higher (6.12 percent) than the current rate:

	<b>1% Decrease 4.10%</b>	<b>Current Discount 5.10%</b>	<b>1% Increase 6.10%</b>
Employer's proportionate share of the net pension liability	\$ 937,485	\$ 710,253	\$ 523,703

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

**NOTE 14 – SUBSEQUENT EVENTS**

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

# CITY OF BEACH

**REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**



**CITY OF BEACH**  
**SCHEDULE OF THE EMPLOYER'S SHARE OF NET OPEB LIABILITY**  
**AND EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

	2018	2019	2020	2021	2022
Employer's proportion of the net OPEB liability (asset)	0.011424%	0.023872%	0.023502%	0.02573%	0.02773%
Employer's proportionate share of the net OPEB liability (asset)	8,997	19,174	19,770	14,310	33,282
Employer's covered-employee payroll	125,006	266,375	267,917	280,528	286,270
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.20%	7.20%	7.38%	5.10%	11.63%
Plan fiduciary net position as a percentage of the total OPEB liability	61.89%	63.13%	63.38%	76.63%	58.28%

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

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

	2018	2019	2020	2021	2022
Statutorily required contribution	1,466	3,098	3,147	3,373	3,484
Contributions in relation to the statutory required contribution	(2,220)	(2,298)	(3,300)	(3,198)	(3,263)
Contribution deficiency (excess)	754	800	(153)	175	221
Employer's covered-employee payroll	125,006	266,375	267,917	280,528	286,270
Contributions as a percentage of covered-employee payroll	1.78%	0.86%	1.23%	1.14%	1.14%

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

**CITY OF BEACH**  
**SCHEDULE OF THE EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**AND EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability (asset)	0.019326%	0.020053%	0.019823%	0.025609%	0.024287%	0.024773%	0.024661%
Employer's proportionate share of the net pension liability (asset)	131,414	195,436	318,621	300,156	764,074	258,209	710,253
Employer's covered-employee payroll	172,167	202,084	202,365	266,375	267,917	280,528	286,270
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	76.33%	96.71%	157.45%	112.68%	285.19%	92.04%	248.106%
Plan fiduciary net position as a percentage of the total pension liability	77.15%	93.62%	152.96%	71.66%	48.91%	78.26%	54.47%

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

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

	2016	2017	2018	2019	2020	2021	2022
Statutorily required contribution	13,078	14,631	14,674	19,394	18,971	20,688	21,561
Contributions in relation to the statutory required contribution	(12,258)	15,231	14,482	(14,350)	(20,611)	(19,974)	(20,382)
Contribution deficiency (excess)	820	(600)	192	5,044	(1,640)	714	1,179
Employer's covered-employee payroll	172,167	202,084	202,365	266,375	267,917	280,528	286,270
Contributions as a percentage of covered-employee payroll	7.60%	7.54%	7.16%	5.39%	7.69%	7.12%	7.12%

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

**CITY OF BEACH**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**COMPARISON OF BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 154,900	\$ 154,900	\$ 158,800	\$ 3,900
Licenses and permits	9,000	9,000	7,420	(1,580)
Intergovernmental revenues	249,100	249,100	550,117	301,017
Fines and forfeitures	100	100	25	(75)
Other income	91,800	91,800	103,440	11,640
Investment and royalty earnings	1,000	1,000	1,206	206
Total revenues	505,900	505,900	821,008	315,108
Expenditures				
General government	205,025	208,175	203,338	(4,837)
Public safety	128,650	128,650	120,211	(8,439)
Public works	157,325	352,325	346,520	(5,805)
Public health	4,000	19,000	19,531	531
Culture and recreation	4,000	7,000	6,982	(18)
Debt service	6,900		6,878	6,878
Total expenditures	505,900	715,150	703,460	(11,690)
Excess (deficiency) of revenues over expenditures	-	(209,250)	117,548	326,798
Net change in fund balance	<u>\$ -</u>	<u>\$ (209,250)</u>	117,548	<u>\$ 326,798</u>
Fund balance - beginning			<u>702,631</u>	
Fund balance - ending			<u>\$ 820,179</u>	

**CITY OF BEACH**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**  
**COMPARISON OF BUDGET TO ACTUAL – SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Intergovernmental revenues	<u>\$ 195,000</u>	<u>\$ 195,000</u>	<u>\$ 196,985</u>	<u>\$ 1,985</u>
Total revenues	195,000	195,000	196,985	1,985
Public works	<u>176,650</u>	<u>191,650</u>	<u>190,646</u>	<u>(1,004)</u>
Total expenditures	176,650	191,650	190,646	(1,004)
Excess (deficiency) of revenues over expenditures	18,350	3,350	6,339	2,989
Net change in fund balance	<u>\$ 18,350</u>	<u>\$ 3,350</u>	6,339	<u>\$ 2,989</u>
Fund balance - beginning			<u>341,200</u>	
Fund balance - ending			<u>\$ 347,539</u>	

**CITY OF BEACH**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 1 – OPEB:**

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

*Changes of assumptions:* The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

**NOTE 2 - PENSION:**

*Changes of benefit terms:* The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

*Changes of assumptions:* The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.



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

***Independent Auditor's Report***

The City Council

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beach as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Beach's basic financial statements, and have issued our report thereon dated May 20, 2025.

***Report on Internal Control over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003 to be significant deficiencies.

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

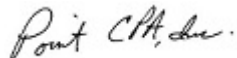
As part of obtaining reasonable assurance about whether City of Beach's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **City of Beach's Response to Findings**

*Government Auditing Standards* require the auditor to perform limited procedures to City of Beach's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Beach'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 them.

### **Purpose of this Report**

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



Bismarck, ND  
May 20, 2025

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

**2022-001 Preparation of Annual GAAP Financial Statements  
Material Weakness in Internal Control over Financial Reporting**

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

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

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

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

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

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

**2022-002 Segregation of Duties  
Significant Deficiency in Internal Control over Financial Reporting**

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

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

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

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

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



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

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

**2022-003 Proposition of Journal Entries**

**Significant Deficiency in Internal Control over Financial Reporting**

Criteria – A good system of internal control entails an adequate system for recording and processing entries material to the financial statements.

Condition – During the audit, adjusting journal entries were required to properly reflect the financial statements.

Cause – The City does not have an internal control system designed to identify all necessary adjustments to properly reflect the financial statements.

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

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

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