

**CITY OF BEACH
BEACH, NORTH DAKOTA**

AUDIT REPORT

**EXAMINATION FOR THE FISCAL
YEAR ENDED DECEMBER 31, 2016**

**JAMES J. WOSEPKA, PC
CERTIFIED PUBLIC ACCOUNTANT
BEACH, NORTH DAKOTA**

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BEACH, NORTH DAKOTA
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BEACH, NORTH DAKOTA
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City of Beach, North Dakota
Management's
Discussion and Analysis
December 31, 2016

This discussion and analysis is intended to be an easily readable analysis of the City of Beach financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

Aside from the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and supplementary information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire, public works, parks and recreation, and general government administration. The business-type activities include water, sewer, refuse, and mini mall activities. These government wide statements are intended to be reported in a manner to emulate private business in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents an over view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities. Also, governmental activities are reported on an accrual basis for accounting.
- The Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are reported in their own column and the remaining funds are combined into a column titled "Other Governmental Funds." A budgetary comparison is present for the governmental funds for which a budget is legally adopted. Statements for the City's proprietary funds follow the governmental funds and include net assets, revenue expenses and changes in net position, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

The MD&A is intended to explain significant changes in financial position and differences in operation between current and prior years. These changes from the prior year are explained in the following paragraphs.

City As A Whole

Government-wide Financial Statements

Assets of the City decreased approximately \$495,631. Liabilities of the City decreased approximately \$228,441. Overall Net Position for the City of Beach decreased \$326,312. A condensed version of the Statement of Net Position at December 31, 2016 follows:

**CITY OF BEACH
STATEMENT OF NET POSITION
December 31, 2016**

	Governmental Activities 2015	Governmental Activities 2016	Business-type Activities 2015	Business-type Activities 2016	Total 2016
ASSETS					
Cash and Investments	\$ 1,366,948	\$ 1,002,325	\$ 310,423	\$ 413,702	\$ 1,416,027
Restricted Assets:					
Cash & Cash Equivalents	10,931	-	1,297	1,521	1,521
Taxes/Assessment Receivable	1,865	3,946	50,294	43,110	47,056
Accounts/Other Receivables	-	570	36,263	37,045	37,615
Due From Other Funds	10,000	10,000	-	-	10,000
Due From Other Govt.	26,998	32,228	-	-	32,228
Prepaid Expense	10,188	4,274	-	6,831	11,105
Inventories	-	-	5,000	5,000	5,000
Capital Assets Not Being Depreciated - Land	161,168	161,168	221,217	221,217	382,385
Capital Assets Not Being Depreciated - Land	1,905,680	1,762,592	3,381,052	3,298,164	5,060,756
TOTAL ASSETS	\$ 3,493,778	\$ 2,977,103	\$ 4,005,546	\$ 4,026,590	\$ 7,003,693
DEFERRED OUTFLOWS OF RESOURCES					
	\$ -	(7,590)	-	-	\$ (7,590)
LIABILITIES					
Accounts Payable and Other Current Liabilities	103,684	12,309	203,587	-	12,309
Deposits Payable	-	-	1,297	1,521	1,521
Due to Other Funds	-	-	10,000	10,000	10,000
Non-current Liabilities:					
Due Within 1 Year	-	-	-	-	-
Due in More Than 1 Year	80,090	142,853	6,530	10,064	152,917
TOTAL LIABILITIES	\$ 183,774	\$ 155,162	\$ 221,414	\$ 21,585	\$ 176,747
DEFERRED INFLOWS OF RESOURCES					
	\$ -	50,011	-	-	\$ 50,011
NET POSITION					
Invested in Capital assets, net of related debt	\$ 2,066,848	1,792,346	3,602,269	3,519,381	\$ 5,311,727
Restricted for:					
Special Events	10,931	-	-	-	-
Prepaid Expenditures	10,188	4,274	-	-	4,274
Unrestricted	1,222,037	967,720	181,863	484,103	1,451,823
TOTAL NET POSITION	\$ 3,310,004	\$ 2,764,340	\$ 3,784,132	\$ 4,003,484	\$ 6,767,824

**CITY OF BEACH
STATEMENT OF ACTIVITIES
COMPARISON FOR FISCAL YEARS 2015-2016**

PRIMARY GOVERNMENT

<u>REVENUES</u>	<u>2015</u>	<u>2016</u>
Property Taxes	112,311	102,457
Sales Tax	171,126	144,597
Fines	165	70
License & Permits	10,097	12,506
Federal/State Revenues	524,447	345,996
Operating Grants	457,792	-
Grants	400,000	3,540
Investment Earnings	708	717
Miscellaneous	32,779	2,845
Transfers	(717,659)	(205,000)
<u>Total Revenue</u>	<u>991,766</u>	<u>407,728</u>

EXPENDITURES

General Government	189,913	269,538
Public Safety	219,329	136,810
Public Works	629,712	347,365
Public Health	4,535	5,014
Culture & Recreation	62,289	193,376
Miscellaneous	14,041	1,289
Transfers	-	-
<u>Total</u>	<u>1,119,819</u>	<u>953,392</u>

Change in Net Position **(128,053)** **(545,664)**

BUSINESS-TYPE

<u>REVENUES</u>	<u>2015</u>	<u>2016</u>
Special Assessments	11,713	2,141
Investment Earnings	-	-
Conference Center	2,501	2,451
Water	298,820	300,265
Sewer	1,365,661	51,407
Solid Waste/Landfill	164,809	161,662
Gain on Sale of Assets	70,162	-
Mini Mall	20,479	13,260
Miscellaneous	-	6,424
<u>Total</u>	<u>1,934,145</u>	<u>537,610</u>

EXPENDITURES

Water	392,349	273,519
Sewer	39,086	79,422
Conference Center	5,414	5,128
Solid Waste/Landfill	202,363	147,873
MiniMall	23,784	17,316
<u>Total</u>	<u>662,996</u>	<u>523,258</u>

Non-Operating Revenue

(Expenses)	-	-
Transfers	717,659	205,000
Changes in Position	1,988,808	219,352

Governmental Activities - During the year ending December 31, 2016 there was a \$545,664 decrease to the balance of net position for the City's governmental operations.

Business-type Activities- During the year ending December 31, 2016, the total net position for the business-type activities increased from the previous year \$219,352. This means revenues were more than expenses for the year.

Governmental Activities

The City collected governmental revenues of approximately \$1,096,697 less than the previous year and expenditures increased by \$166,427.

Business-type Activities

The City of Beach receives water from Southwest Water Authority. The current water rate is \$5.50 per 1000 gallons and a base rate of \$13.00. A \$15.00 late fee is applied to accounts not paid in full by the 20th of each month. The rate for residential sewer is \$6.00 plus .50/1000 based on average winter water usage. The rate for commercial sewer is \$6 plus .50/1000 based on actual water used. The residential rate for garbage is \$17.00; commercial rates vary depending on the size of dumpster and number of times the dumpster is emptied. Rental rates at the mini mall are currently thirty-seven cents per square foot on the main level and eighteen-cents per square foot on the lower level. Rental rates will be analyzed every two years as contracts are renewed. The City converted the east portion of City Hall into a Community Center. Again, rates vary depending on the use of the building.

Budgetary Highlights

The City General Fund received \$546,001 less in revenues than what was budgeted. This decrease in revenue is mainly contributed to the decrease in Intergovernmental Funds more specifically State Aid and Oil & Gas Distribution payments. General Fund expenditures were \$430,601 less than what was budgeted, before transfers. General Fund expenditures over revenues were \$115,400 before transfers. A total of \$208,000 was transferred out of the General Fund to other funds. The City Sales Tax Fund revenues were \$18,988 less than what was budgeted and expenditures were \$56,345 less than what was budgeted. The Social Security Fund was closed and the balance of 12,457.87 was transferred to the General Fund. The Sidewalk Fund was closed and the balance of \$21,152.20 was transferred to the General Fund. The Sewer Fund Repairs was amended from \$20,000 to \$225,000 to cover increased expenses related to the lagoon expansion project. The City participates in the ND PERS retirement program. Recently, the City started tracking the possible liability to the City based on percent of involvement in the plan.

Capital Assets and Debt Administration

Capital Assets, which include property, plant, equipment and infrastructure assets are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of \$5,000. At year end net capital assets in the Governmental funds was \$1,923,760. The net amount of capital assets in the proprietary funds was \$3,519,381. Government wide net capital assets, less depreciation, were \$5,443,141. More detailed information on capital assets can be found in the Capital Assets section of this report on Page 28.

Economic Factors and Next Year's Budget and Rates

According to the 2010 Census, the population within the City is 1019, a decrease from the 2000 Census by approximately 8%. The economic factors in the Beach area are driven mainly by agriculture. Over the last few years Beach had been experiencing an impact from the oil industry. However, in 2016 there continues to be a sharp decline in this area for oil activity. With the decline in State revenues, we

anticipate there will be special assessment districts established in the near future to pay for infrastructure improvements.

As far as the level of services that are offered, the city government has been unchanging in the past few years. Necessary replacement and maintenance of infrastructure such as streets, water and sewer lines will likely have major impacts on upcoming budget and financial considerations especially propriety fund rates. In the past a percentage of proprietary revenues have been transferred to Reserve Funds for the replacement of infrastructure and purchase of capital equipment.

Financial Contact

The City's financial statements are designed to provide users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability for monies received. If you have any questions about the report or need additional financial information contact the City Auditor. You may also contact us by mailing comments or questions to PO Box 278, Beach, ND 58621. The City's email address is cityofbeach@midstate.net and the phone number for the City Auditor is (701)-872-4103.

**CITY OF BEACH
BEACH, NORTH DAKOTA**

CITY OFFICIALS

Walter Losinski	Mayor
Mark Benes	Council Member
Wade Walworth	Council Member
Tim Marman	Council Member
Dell Beach	Council Member
Jeanne Larson	Council Member
Henry Gerving	Council Member
Kimberly Nunberg	City Auditor
Gene Allen	City Attorney



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INDEPENDENT AUDITOR'S REPORT

To the City Council
Beach, North Dakota 58621

Report on the Financial Statements

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, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, North Dakota, as of December 31, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison information on pages i - v and pages 31 - 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beach's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements on pages 37 - 39 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2017 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 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 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 the City of Beach's internal control over financial reporting and compliance.

James J. Wosepka, PC

By  CPA

Beach, North Dakota
June 5, 2017

CITY OF BEACH
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,002,325	\$ 413,702	\$ 1,416,027
Restricted Assets:			
Cash and cash equivalents	-	1,521	1,521
Taxes/assessments receivable	3,946	43,110	47,056
Accounts/other receivables	570	37,045	37,615
Due from other funds	10,000	-	10,000
Due from other governments	32,228	-	32,228
Prepaid expense	4,274	6,831	11,105
Inventories	-	5,000	5,000
Capital assets not being depreciated			
Land	161,168	221,217	382,385
Capital assets being depreciated (net of accumulated depreciation)	1,762,592	3,298,164	5,060,756
Total Assets	\$ 2,977,103	\$ 4,026,590	\$ 7,003,693
DEFERRED OUTFLOWS OF RESOURCES	\$ (7,590)	\$ -	\$ (7,590)
LIABILITIES			
Accounts payable	\$ 12,309	\$ -	\$ 12,309
Deposits payable	-	1,521	1,521
Due to other funds	-	10,000	10,000
Noncurrent liabilities:			
Due within one year	-	-	-
Due in more than one year	142,853	10,064	152,917
Total Liabilities	\$ 155,162	\$ 21,585	\$ 176,747
DEFERRED INFLOWS OF RESOURCES	\$ 50,011	\$ -	\$ 50,011
NET POSITION			
Net investment in capital assets	\$ 1,792,346	\$ 3,519,381	\$ 5,311,727
Restricted for:			
Prepaid Expenditures	4,274	-	4,274
Unrestricted	967,720	484,103	1,451,823
Total Net Position	\$ 2,764,340	\$ 4,003,484	\$ 6,767,824

The notes to the financial statements are an integral part of this statement.

**CITY OF BEACH
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for		Governmental Activities	Primary Government Business-type Activities		Total
		Services, Fines, Forfeitures, etc.	Capital Grants and Contributions		Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 269,538	\$ -	\$ -	\$ (269,538)	\$ -	\$ -	\$ (269,538)
Public safety	136,810	70	-	(136,740)	-	-	(136,740)
Public works	347,365	-	-	(347,365)	-	-	(347,365)
Public health	5,014	-	-	(5,014)	-	-	(5,014)
Culture and recreation	193,376	-	3,540	(189,836)	-	-	(189,836)
Miscellaneous	1,289	-	-	(1,289)	-	-	(1,289)
Total governmental activities	953,392	70	3,540	(949,782)	-	-	(949,782)
Business-type activities:							
Water	273,519	300,265	-	-	26,746	-	26,746
Sewer	79,422	51,407	-	-	(28,015)	-	(28,015)
Conference Center	5,128	2,451	-	-	(2,677)	-	(2,677)
Solid Waste/Landfill	147,873	161,662	-	-	13,789	-	13,789
Mini Mall	17,316	13,260	-	-	(4,056)	-	(4,056)
Total business-type activities	523,258	529,045	-	-	5,787	-	5,787
Total primary government	\$ 1,476,650	\$ 529,115	\$ 3,540	(949,782)	5,787	(943,995)	(943,995)
General revenues:							
Property taxes				102,457	-	-	102,457
Special assessments				-	2,141	-	2,141
Sales tax				144,597	-	-	144,597
Licenses and permits				12,506	-	-	12,506
Unrestricted Federal/State shared revenues				345,996	-	-	345,996
Unrestricted investment earnings				717	-	-	717
Miscellaneous				2,845	6,424	-	9,269
Transfers				(205,000)	205,000	-	-
Total general revenues and transfers				404,118	213,565	-	617,683
Change in net position				(545,664)	219,352	-	(326,312)
Total net position - January 1, 2016				3,310,004	3,784,132	-	7,094,136
Total net position - December 31, 2016				\$ 2,764,340	\$ 4,003,484	\$ -	\$ 6,767,824

The notes to the financial statements are an integral part of this statement.

**CITY OF BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

Description	Major Fund				Total Governmental Funds
	General	City Sales Tax Community Enhancement	Highway Distribution	Other Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 368,534	\$ 212,279	\$ 170,977	\$ 239,451	\$ 991,241
Restricted Assets:					
Cash and cash equivalents	-	-	-	11,084	11,084
Tax/assessment receivable	3,782	-	-	164	3,946
Due from other funds	-	10,000	-	-	10,000
Due from other governments	31,865	-	-	1,133	32,798
Prepaid expense	4,274	-	-	-	4,274
Total Assets	\$ 408,255	\$ 222,279	\$ 170,977	\$ 251,832	\$ 1,053,343
LIABILITIES					
Accounts payable	\$ -	\$ 12,309	\$ -	\$ -	\$ 12,309
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	\$ 3,782	\$ -	\$ -	\$ 164	\$ 3,946
FUND BALANCES					
Non-spendable	\$ 4,274	\$ -	\$ -	\$ -	\$ 4,274
Restricted	-	-	-	93,766	93,766
Committed	-	209,970	-	12,580	222,550
Assigned	-	-	170,977	145,322	316,299
Unassigned	400,199	-	-	-	400,199
Total Fund Balances	404,473	209,970	170,977	251,668	1,037,088
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 408,255	\$ 222,279	\$ 170,977	\$ 251,832	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,923,760
Certain property tax collections are not available to pay current-period expenditures and therefore are reported as deferred inflows of resources in the funds.	(46,065)
Long-term liabilities, including bonds payable and pensions, are not due and payable in the current period and therefore are not reported in the funds.	(150,443)
Net position of governmental activities	\$ 2,764,340

CITY OF BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED DECEMBER 31, 2016

Description	Major Fund				Total Governmental Funds
	General	City Sales Tax Community Enhancement	Highway Distribution	Other Governmental Funds	
REVENUES					
Taxes/assessments	\$ 100,372	\$ -	\$ -	\$ 4	\$ 100,376
Licenses and permits	12,506	-	-	-	12,506
Intergovernmental revenues	255,882	117,012	81,513	39,726	494,133
Fines and forfeitures	70	-	-	-	70
Miscellaneous	2,845	-	-	-	2,845
Investment and royalty earnings	564	-	-	153	717
Total Revenues	372,239	117,012	81,513	39,883	610,647
EXPENDITURES					
Current:					
General government	196,241	-	-	-	196,241
Public safety	124,910	-	-	-	124,910
Public works	140,624	-	76,534	2,500	219,658
Public health	5,014	-	-	-	5,014
Culture and recreation	14,306	76,666	-	45,312	136,284
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	6,544	-	-	-	6,544
Miscellaneous	-	-	-	1,289	1,289
Total Expenditures	487,639	76,666	76,534	49,101	689,940
Excess of revenues over (under) expenditures	(115,400)	40,346	4,979	(9,218)	(79,293)
OTHER FINANCING SOURCES (USES):					
Transfers in	33,610	-	-	-	33,610
Transfers out	(205,000)	-	-	(33,610)	(238,610)
Total other financing sources (uses)	(171,390)	-	-	(33,610)	(205,000)
Net change in fund balances	(286,790)	40,346	4,979	(42,828)	(284,293)
Fund balances - January 1, 2016	691,263	169,624	165,998	294,496	1,321,381
Fund balances - December 31, 2016	\$ 404,473	\$ 209,970	\$ 170,977	\$ 251,668	\$ 1,037,088

**CITY OF BEACH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED DECEMBER 31, 2016**

Net change in fund balances - total governmental funds (page 8)	<u>\$ (284,293)</u>
Amounts reported for governmental activities in the statement of activities (page 6) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets purchased	<u>6,544</u>
Depreciation expense	<u>(149,632)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	
	<u>2,081</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	
Net change in pensions	<u>(121,414)</u>
Accrued compensated absences	<u>1,050</u>
Change in Net Position in Governmental Activities	<u><u>\$ (545,664)</u></u>

CITY OF BEACH
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

Description	Business-type Activities					Totals
	Major Enterprise Funds			Non-Major Enterprise Funds		
	Water	Garbage	Sewer			
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 157,570	\$ 185,176	\$ 19,279	\$ 50,156	\$	412,181
Tax/assessment receivable	21,555	-	21,555	-		43,110
Accounts/other receivables	16,878	15,693	4,474	-		37,045
Prepaid expenses	3,770	3,061	-	-		6,831
Inventories	5,000	-	-	-		5,000
Total Current Assets	204,773	203,930	45,308	50,156		504,167
Noncurrent Assets						
Restricted Assets:						
Cash and cash equivalents	1,521	-	-	-		1,521
Capital assets:						
Land	-	4,910	216,307	-		221,217
Buildings	161,035	106,830	25,000	561,955		854,820
Machinery and equipment	15,000	216,958	5,500	-		237,458
Infrastructure (utility systems)	471,549	-	2,477,648	-		2,949,197
Less: accumulated depreciation	(359,307)	(154,630)	(82,202)	(147,172)		(743,311)
Capital assets - net of accumulated depreciation	288,277	174,068	2,642,253	414,783		3,519,381
Total Noncurrent Assets	289,798	174,068	2,642,253	414,783		3,520,902
Total Assets	\$ 494,571	\$ 377,998	\$ 2,687,561	\$ 464,939	\$	4,025,069
LIABILITIES						
Current Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$	-
Due to other funds	-	-	10,000	-		10,000
Deposits payable	1,521	-	-	-		1,521
Total Current Liabilities	1,521	-	10,000	-		11,521
Noncurrent Liabilities						
Compensated absences	4,163	4,139	1,762	-		10,064
Total Noncurrent Liabilities	4,163	4,139	1,762	-		10,064
Total Liabilities	5,684	4,139	11,762	-		21,585
NET POSITION						
Net investment in capital assets	288,277	174,068	2,642,253	414,783		3,519,381
Non-spendable	1,521	-	-	-		1,521
Unrestricted	199,089	199,791	33,546	50,156		482,582
Total Net Position	\$ 488,887	\$ 373,859	\$ 2,675,799	\$ 464,939	\$	4,003,484

The notes to the financial statements are an integral part of this statement.

CITY OF BEACH
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED DECEMBER 31, 2016

Description	Business-type Activities				
	Major Enterprise Funds			Non-Major Enterprise Funds	Totals
	Water	Garbage	Sewer		
OPERATING REVENUES					
Charges for services	\$ 300,265	\$ 161,662	\$ 51,407	\$ 15,711	\$ 529,045
Miscellaneous revenue	-	6,424	-	-	6,424
Special assessments	1,054	-	1,087	-	2,141
Total Operating Revenues	301,319	168,086	52,494	15,711	537,610
OPERATING EXPENSES					
Personal services	45,889	74,068	19,082	-	139,039
Supplies	36,426	11,972	15,873	1,171	65,442
Purchased services	182,263	43,228	3,173	7,224	235,888
Depreciation	8,941	18,605	41,294	14,049	82,889
Total Operating Expenses	273,519	147,873	79,422	22,444	523,258
Operating Income (Loss)	27,800	20,213	(26,928)	(6,733)	14,352
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	-	-	-	-
Gain(loss) on sale of capital assets	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	-	-	-	-	-
Income (Loss) before contributions and transfers	27,800	20,213	(26,928)	(6,733)	14,352
Transfers in (out)	-	-	205,000	-	205,000
Change in net position	27,800	20,213	178,072	(6,733)	219,352
Total net position - January 1, 2016	461,087	353,646	2,497,727	471,672	3,784,132
Total net position - December 31, 2016	\$ 488,887	\$ 373,859	\$ 2,675,799	\$ 464,939	\$ 4,003,484

The notes to the financial statements are an integral part of this statement.

**CITY OF BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED DECEMBER 31, 2016**

Description	Business-type Activities				
	Major Enterprise Funds			Non-Major Enterprise Funds	Totals
	Water	Garbage	Sewer		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 304,796	\$ 167,486	\$ 56,243	\$ 15,711	\$ 544,236
Cash paid to suppliers	(222,459)	(58,261)	(222,633)	(8,395)	(511,748)
Cash paid to employees	(43,232)	(74,500)	(17,773)	-	(135,505)
Net cash provided (used) by operating activities	39,105	34,725	(184,163)	7,316	(103,017)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from (to) other funds	-	-	205,000	-	205,000
Subsidies from other governments	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	205,000	-	205,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase/construction of capital assets	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	39,105	34,725	20,837	7,316	101,983
Cash and cash equivalents - January 1, 2016	119,986	150,451	(1,558)	42,840	311,719
Cash and cash equivalents - December 31, 2016	\$ 159,091	\$ 185,176	\$ 19,279	\$ 50,156	\$ 413,702
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ 27,800	\$ 20,213	\$ (26,928)	\$ (6,733)	\$ 14,352
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	8,941	18,605	41,294	14,049	82,889
(Increase) decrease in accounts receivable	3,253	(600)	3,749	-	6,402
(Increase) decrease in prepaid items	(3,770)	(3,061)	-	-	(6,831)
Increase (decrease) in customer deposits	224	-	-	-	224
Increase (decrease) in accounts payable	-	-	(203,587)	-	(203,587)
Increase (decrease) in compensated absences payable	2,657	(432)	1,309	-	3,534
Total adjustments	11,305	14,512	(157,235)	14,049	(117,369)
Net cash provided (used) by operating activities	\$ 39,105	\$ 34,725	\$ (184,163)	\$ 7,316	\$ (103,017)

The notes to the financial statements are an integral part of this statement.

**CITY OF BEACH
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDING DECEMBER 31, 2016**

Description	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 47,336
Total Assets	47,336
 LIABILITIES	
Warrants payable	46,541
Due to other governments	795
Total Liabilities	\$ 47,336

The notes to the financial statements are an integral part of this statement.

CITY OF BEACH
BEACH, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. **Summary of Significant Accounting Policies**

The City of Beach operates under a City Council form of government. The financial statements of the City of Beach, North Dakota (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The City's significant accounting policies are described below.

Reporting Entity

The City is governed by an elected Mayor and City Council. The City's basic financial statements include the accounts of all City operations. The criteria for including organizations within the City's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity", is financial accountability. Financial accountability is defined as appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

There are no component units to be included with the City as reporting entities.

Basic Financial Statements

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 financial statements (Statement of Net Position and Statement of Activities) report on the City as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The Government-wide Statement of Net Position reports all financial and capital resources of the City (excluding fiduciary funds). It is displayed in a format of assets

1. **Summary of Significant Accounting Policies – cont.**
Basic Financial Statements – cont.

less liabilities equal net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position is those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The Government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use, or directly benefit from goods, services, or privileges provided by a particular function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income, and other revenues, not identifiable with particular functions or programs, are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also part of the basic financial statements, are fund financial statements for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds as defined by GASB Statement No. 34.

Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives government the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The City reports the following major governmental funds:

General Fund - This fund reports the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

City Sales/Community Enhancement Fund – This fund is used to provide salaries for the Tourist Information Center, for emergency infrastructure repairs and for the promotion of events in Beach.

1. **Summary of Significant Accounting Policies – cont.**
Basic Financial Statements – cont.

Highway Distribution – This fund is used for road and street repairs and maintenance.

The City reports the following major Proprietary Funds:

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

Garbage Enterprise Fund - This fund accounts for the operating of refuse pickup and disposal.

Sewer Fund - This fund accounts for operating and non-operating revenues and expenses of the public sewer system.

Measurement Focus and Basis of Accounting

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental

1. **Summary of Significant Accounting Policies – cont.**
Measurement Focus and Basis of Accounting – cont.

activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements but are included in the fund columns in the proprietary funds financial statements. A reconciliation of the total enterprise funds on the fund financial statements to the business-type activities column on the government-wide financial statements is provided on the face of the fund financial statements.

Enterprise funds account for operations where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and space rentals. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity (i.e., charges to customers or users who purchase or use the goods or services of that activity). Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others and therefore, are not available to support City programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the City available to support City programs.

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. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 with a useful life of one year or more.

1. **Summary of Significant Accounting Policies – cont.**
Capital Assets – cont.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 - 70
Building improvements	20
Public domain infrastructure	40
System infrastructure	40 - 100
Vehicles	12 - 15
Equipment other than vehicles	12 - 20
Office equipment	5
Computer equipment	5

No provision is being made to capitalize interest on debt to finance construction of assets.

Taxes and Assessments

An allowance for uncollectible accounts was not maintained for real and personal property taxes receivable. The direct write-off method is used for these accounts.

Enterprise Accounts Receivable

No reserve for estimated uncollected accounts receivable is maintained. Accounts receivable are reported as net of revenues collected in advance.

Inventories

Inventories of materials and supplies are expensed at the time of purchase. Inventories of materials and supplies on hand are not maintained. Inventories were not, however, considered material.

Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for disbursements initially made from it that are properly applicable to another fund are recorded as disbursements in the reimbursing.

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

1. **Summary of Significant Accounting Policies – cont.**

Encumbrances

Encumbrance accounting is used for the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balances – Governmental Funds

As of December 31, 2016, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provision, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only City Council may assign amounts for specific purposes.

1. **Summary of Significant Accounting Policies – cont.**

As of December 31, 2016, fund balances are composed of the following:

	General Funds	City Sales Tax	Highway Distribution	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:	\$ 4,274	\$ -	\$ -	\$ -	\$ 4,274
Restricted:					
Highway Distribution	-	-	170,977	-	170,977
City Occupancy	-	-	-	39,533	39,533
Special Assessment	-	-	-	41,468	41,468
Sidewalk	-	-	-	4	4
Emergency	-	-	-	12,761	12,761
Committed:					
Pool Sales Tax	-	-	-	5,210	5,210
City Sales Tax	-	209,970	-	-	209,970
Walking/Biking Path	-	-	-	7,370	7,370
Assigned:					
Sewer & Water Reserve	-	-	-	25,850	25,850
Building Reserve	-	-	-	30,759	30,759
Street/Water Equipment Reserve	-	-	-	29,506	29,506
Fire Reserve	-	-	-	48,123	48,123
Tri-Centennial	-	-	-	11,084	11,084
Unassigned Funds	400,199	-	-	-	400,199
Total fund balances	\$ 404,473	\$ 209,970	\$ 170,977	\$ 251,668	\$ 1,037,088

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

Deferred Outflows/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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) 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.

1. **Summary of Significant Accounting Policies – cont.**

New GASB Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

2. **Cash**

The City maintains a cash pool for all funds under the control of the City Auditor. Cash and cash equivalents include cash and cash items of checking and savings deposits which are highly liquid or have a maturity date of three months or less when purchased.

2. **Cash – cont.**

The composition of cash on December 31, 2016 was as follows:

<u>Cash</u>	
Cash in Banks	
Demand and Savings Deposits	\$ 1,463,363
Total	<u>\$ 1,463,363</u>

Deposits - At year-end, the carrying amount of the City's deposits was \$1,463,363 and the bank balance was \$1,471,141. These deposits include demand and savings deposits. Of the bank balance, \$548,061 was covered by Federal depository insurance, the balance \$923,080 was covered by pledged securities.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party.

North Dakota statutes require that the City obtain pledged securities for the uninsured portion of the deposits equal to 110% of such deposits. The amount of collateral held for City deposits at December 31, 2016 exceeded the amount required by state statutes.

State statutes authorize local governments to invest in: a) Bonds, treasury bills, and notes or other securities that are a direct obligation of, or an obligation insured or guaranteed by the Treasury of the United States or its agencies, instrumentalities, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state, d) Obligations of the state.

The \$1,521 of restricted cash in the Water Fund is for customer deposits.

3. **Accounts Receivable**

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

4. **Taxes Receivable**

Taxes receivable consists of delinquent uncollected taxes at December 31.

Property tax revenue is recognized in compliance with the National Council on Government Accounting (NCGA) Interpretation 3, "Revenue Recognition-Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means then due, or past due and receivable within the current period and collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Since no material taxes are collected within the time period, taxes receivable are recorded as unavailable revenue.

4. **Taxes Receivable – cont.**

Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes has been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the County and usually remitted monthly to the City.

5. **Related Party Transactions**

The City paid Marman Plumbing and General Construction \$26,045 for construction and repair work during 2016. Council-member, Tim Marman, is a 50% owner of Marman Plumbing and General Construction.

6. **Due From County Treasurer**

The amount due from the County Treasurer consists of the cash on hand for taxes and special assessments collected, but not remitted to the City of Beach at December 31.

7. **Risk Management**

The City of Beach participates in the North Dakota Insurance Reserve Fund, North Dakota Fire and Tornado Fund, and the North Dakota Worker's Compensation Bureau to control their risk of loss. There have been no settled claims that exceeded the insurance coverage in any of the past three fiscal years.

8. **Commitment**

The City has contracted with Fallon County, Montana for garbage disposal. The contract requires the City to have Certificate of Insurance with limits of liability equal to or greater than \$1,000,000 before disposing of Class II Solid Waste. Tipping fees are \$25 per ton and are billed monthly. The City also has a contract with G & G Garbage, Inc. for emptying roll off containers. Containers are emptied weekly at a rate of \$360 per week and are billed monthly.

9. **Compensated Absences**

Upon termination, the City will pay a maximum of 240 hours for vacation and 120 hours for sick pay. As of December 31, 2016, there is \$11,439 of accrued liability in the Long-Term Debt Fund. Of this amount, \$5,569 would come from the General Fund, \$2,697 from the Highway Fund, and \$3,173 from the City Sales Tax Fund. The accrued liability in the Garbage Fund is \$4,139, in the Sewer Fund \$1,752, and in the Water Fund \$4,163. Of these amounts, \$0 is estimated to be paid from the Governmental Funds and \$0 from the Business-Type Funds during 2017.

10. **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.

11. **Retirement Plan**
Notes to the Financial Statements for the Year Ended December 31, 2016

Summary of Significant Accounting Policies

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.

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 seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include 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 will be 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. The plan permits early retirement at ages 55-64 with three or more years of service.

11. **Retirement Plan – cont.**

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

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, lifetime 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.

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:

11. Retirement Plan – cont.

- 1 to 12 months of service – Greater of 1% of monthly salary or \$25
- 13 to 24 months of service – Greater of 2% of monthly salary or \$25
- 25 to 36 months of service – Greater of 3% of monthly salary or \$25
- Longer than 36 months of service – Greater of 4% of monthly salary or \$25

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

At December 31, 2016, the Employer reported a liability of \$131,414 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, the Employer's proportion was .019326 percent, which was an increase of .005046 from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the Employer recognized pension expense of \$18,618. At December 31, 2016, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,812
Changes of assumptions	(11,708)	-
Net difference between projected and actual earnings on pension plan investments	(17,959)	15,185
Changes in proportion and differences between employer contributions and proportionate share of contributions	(683)	31,014
Employer contributions subsequent to the measurement date (see below)	22,760	-
Total	\$ (7,590)	\$ 50,011

\$(7,590) reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended December 31, 2017.

11. **Retirement Plan – cont.**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (Years will need to be rolled forward one year from dates in report):

Year ended June 30:

2017	\$	2,533
2018		2,533
2019		2,533
2020		8,265
2021		3,795
Thereafter		-

Actuarial assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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:

11. **Retirement Plan – cont.**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$ 201,516	\$ 131,414	\$ 74,057

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

12. Interfund Transfers

The following general operating transfers occurred during 2016:

	<u>In</u>	<u>Out</u>
General	\$ 33,610	\$ 205,000
Social Security	-	12,458
Sidewalk	-	21,152
Sewer	205,000	-

13. Capital Assets

Capital asset activity for the fiscal year ended December 31, 2016.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets are not being depreciated				
Land	\$ 161,168	\$ -	\$ -	\$ 161,168
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>161,168</u>	<u>-</u>	<u>-</u>	<u>161,168</u>
Capital assets being depreciated				
Improvements other than buildings	997,619	-	-	997,619
Buildings	665,550	-	-	665,550
Machinery and equipment	1,000,182	6,544	-	1,006,726
Total capital assets being depreciated	<u>2,663,351</u>	<u>6,544</u>	<u>-</u>	<u>2,669,895</u>
Less accumulated depreciation for:				
Improvements other than buildings	(32,422)	-	(66,506)	(98,928)
Buildings	(366,599)	-	(15,394)	(381,993)
Machinery and equipment	(358,650)	-	(67,732)	(426,382)
Total accumulated depreciation	<u>(757,671)</u>	<u>-</u>	<u>(149,632)</u>	<u>(907,303)</u>
Net capital assets being depreciated	<u>1,905,680</u>			<u>1,762,592</u>
Governmental activities capital assets net	<u>\$ 2,066,848</u>			<u>\$ 1,923,760</u>
Depreciation expense for the governmental activities is allocated as follows:				
General Government	\$ 12,590			
Public Safety	11,900			
Public Works	68,050			
Culture and Recreation	57,092			
	<u>\$ 149,632</u>			

13. Capital Assets – cont.

Business-type activities:

Capital assets not being depreciated				
Land	\$ 221,217	\$ -	\$ -	\$ 221,217
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>221,217</u>	<u>-</u>	<u>-</u>	<u>221,217</u>
Capital assets being depreciated				
Buildings	854,820	-	-	854,820
Machinery and equipment	237,458	-	-	237,458
Utility plant	300,000	-	-	300,000
Transmission and distribution	2,649,198	-	-	2,649,198
Total capital assets being depreciated	<u>4,041,476</u>	<u>-</u>	<u>-</u>	<u>4,041,476</u>
Less accumulated depreciation for:				
Buildings	(330,449)	-	(18,683)	(349,132)
Machinery and equipment	(112,596)	-	(15,934)	(128,530)
Utility plant	(186,590)	-	(4,833)	(191,423)
Transmission and distribution	(30,789)	-	(43,438)	(74,227)
Total accumulated depreciation	<u>(660,424)</u>	<u>-</u>	<u>(82,888)</u>	<u>(743,312)</u>
Net capital assets being depreciated	<u>3,381,052</u>			<u>3,298,164</u>
Business-type activities capital assets net	<u>\$ 3,602,269</u>			<u>\$ 3,519,381</u>

Depreciation expense for the business-type activities is allocated as follows:

Water	\$ 8,941
Garbage	18,604
Sewer	41,294
Mini-Mall	9,493
Conference Center	4,556
	<u>\$ 82,888</u>

REQUIRED

SUPPLEMENTARY INFORMATION

CITY OF BEACH
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Fund
Year Ended December 31, 2016

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ 95,740	\$ 95,740	\$ 100,372	\$ 4,632
Licenses and Permits	12,300	12,300	12,506	206
Intergovernmental Revenue	794,100	794,100	255,882	(538,218)
Fines and Forfeitures	100	100	70	(30)
Miscellaneous Revenues	15,000	15,000	2,845	(12,155)
Investment and Royalty Earnings	1,000	1,000	564	(436)
Total revenues	<u>918,240</u>	<u>918,240</u>	<u>372,239</u>	<u>(546,001)</u>
Expenditures:				
Current:				
General Government	223,100	223,100	196,241	26,859
Public Safety	175,140	175,140	124,910	50,230
Public Works	477,000	477,000	147,168	329,832
Public Health	11,500	11,500	5,014	6,486
Culture and Recreation	31,500	31,500	14,306	17,194
Miscellaneous	-	-	-	-
Total expenditures	<u>918,240</u>	<u>918,240</u>	<u>487,639</u>	<u>430,601</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(115,400)</u>	<u>(115,400)</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	33,610	33,610
Operating Transfers (Out)	(3,000)	(208,000)	(205,000)	3,000
Sale of Assets	-	-	-	-
Total other financing sources (uses)	<u>(3,000)</u>	<u>(208,000)</u>	<u>(171,390)</u>	<u>36,610</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (3,000)</u>	<u>\$(208,000)</u>	<u>(286,790)</u>	<u>\$ (78,790)</u>
Fund Balances - January 1, 2016			<u>691,263</u>	
Fund Balances - December 31, 2016			<u>\$ 404,473</u>	

CITY OF BEACH
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
City Sales/Community Enhancement Fund
Year Ended December 31, 2016

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	136,000	136,000	117,012	(18,988)
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total revenues	<u>136,000</u>	<u>136,000</u>	<u>117,012</u>	<u>(18,988)</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Public Health	-	-	-	-
Culture and Recreation	133,000	133,000	76,666	56,334
Miscellaneous	-	-	-	-
Total expenditures	<u>133,000</u>	<u>133,000</u>	<u>76,666</u>	<u>56,334</u>
Excess of revenues over (under) expenditures	<u>3,000</u>	<u>3,000</u>	<u>40,346</u>	<u>37,346</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Sale of Assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$3,000</u>	<u>\$3,000</u>	<u>40,346</u>	<u>\$37,346</u>
Fund Balances - January 1, 2016			169,624	
Fund Balances - December 31, 2016			<u>\$ 209,970</u>	

CITY OF BEACH
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Highway Distribution
Year Ended December 31, 2016

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	93,000	93,000	81,513	(11,487)
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total revenues	<u>93,000</u>	<u>93,000</u>	<u>81,513</u>	<u>(11,487)</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	90,000	90,000	76,534	13,466
Public Health	-	-	-	-
Culture and Recreation	-	-	-	-
Miscellaneous	-	-	-	-
Total expenditures	<u>90,000</u>	<u>90,000</u>	<u>76,534</u>	<u>13,466</u>
Excess of revenues over (under) expenditures	<u>3,000</u>	<u>3,000</u>	<u>4,979</u>	<u>1,979</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	-	-	-	-
Sale of Assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$3,000</u>	<u>\$3,000</u>	<u>4,979</u>	<u>\$1,979</u>
Fund Balances - January 1, 2016			<u>165,998</u>	
Fund Balances - December 31, 2016			<u>\$ 170,977</u>	

CITY OF BEACH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

Budgets

The governing body must give notice on or before September 10 that a preliminary budget is on file and the time and place of the meeting to adopt the final budget, but no later than October 7. The final budget and levy shall be submitted to the County Auditor no later than October 10.

Budgets are prepared for the General Fund and Special Revenue Funds on a cash basis, which is not materially different from the modified accrual basis. Annual appropriations lapse at year end.

Budget Amendment

By an approved motion of the City Council, the expense and transfer budget for the following funds was amended:

	Original Budget	Change	Final Budget
General Fund	\$ 921,240	\$ 205,000	\$ 1,126,240
Social Security	\$ -	\$ 12,458	\$ 12,458
Sidewalk	\$ -	\$ 21,152	\$ 21,152
Sewer	\$ 53,000	\$ 205,000	\$ 258,000

ND Public Employees Retirement System

**Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years***

	2015	2016
Employer's proportion of the net pension liability (asset)	0.014280%	0.019326%
Employer's proportionate share of the net pension liability (asset)	\$ 90,638	\$ 131,414
Employer's covered-employee payroll	\$ 120,289	\$ 172,167
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%
Plan fiduciary net pension as a percentage of the total pension liability	77.70%	77.15%

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

Notes to Required Supplementary Information – cont.

**Schedule of Employer Contributions
Last 10 Fiscal Years***

	2015	2016
Statutorily required contribution	\$ 8,968	\$ 13,078
Contributions in relation to the statutorily required contribution	\$ (8,565)	\$ (12,258)
Contribution deficiency (excess)	\$ 403	\$ 820
Employer's covered-employee payroll	\$ 120,289	\$ 172,167
Contributions as a percentage of covered-employee payroll	7.5%	7.6%

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

Changes of assumptions.

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

SUPPLEMENTARY INFORMATION

CITY OF BEACH
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Non-Major Special Revenue Funds
Year Ended December 31, 2016

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ 4	\$ 4
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	46,000	46,000	39,726	(6,274)
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	60	60	153	93
Total revenues	<u>46,060</u>	<u>46,060</u>	<u>39,883</u>	<u>(6,177)</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	2,500	2,500	2,500	-
Public Health	-	-	-	-
Culture and Recreation	56,000	56,000	45,312	10,688
Miscellaneous	1,500	1,500	1,289	211
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>49,101</u>	<u>10,899</u>
Excess of revenues over (under) expenditures	<u>(13,940)</u>	<u>(13,940)</u>	<u>(9,218)</u>	<u>4,722</u>
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	(33,610)	(33,610)	-
Total Other Financing Sources (Uses):	<u>-</u>	<u>(33,610)</u>	<u>(33,610)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ (13,940)</u>	<u>\$ (47,550)</u>	<u>(42,828)</u>	<u>\$ 4,722</u>
Fund Balances - January 1, 2016			<u>160,258</u>	
Fund Balances - December 31, 2016			<u>\$ 117,430</u>	

CITY OF BEACH
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Non-Major Capital Project Funds
Year Ended December 31, 2016

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes/Special Assessments	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Investment and Royalty Earnings	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Public Health	-	-	-	-
Social and Economic Services	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Sale of Assets	-	-	-	-
Operating Transfers In	3,000	3,000	-	(3,000)
Operating Transfers (Out)	-	-	-	-
Total other financing sources (uses)	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>(3,000)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>-</u>	<u>\$ (3,000)</u>
Fund Balances - January 1, 2016			<u>134,238</u>	
Fund Balances - December 31, 2016			<u>\$ 134,238</u>	



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Licensed in North Dakota and Montana

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

To the City Council
Beach, North Dakota 58621

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beach, North Dakota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Beach, North Dakota's basic financial statements, and have issued our report thereon dated June 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Beach, North Dakota'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 the City of Beach, North Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Beach, North Dakota's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations,

during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Beach, North Dakota'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

James J. Wosepka, PC

By *James J. Wosepka*
CPT

June 5, 2017
Beach, North Dakota