

City of Devils Lake

Devils Lake, North Dakota

Audit Report

For the Year Ended
December 31, 2014



ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor

CITY OF DEVILS LAKE
Devils Lake, North Dakota

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CITY OF DEVILS LAKE
Devils Lake, North Dakota

CITY OFFICIALS

As of December 31, 2014

Richard S. Johnson	President
Rick Morse	Commissioner
Tim S. Heisler	Commissioner
Craig Stromme	Commissioner
Dale Robbins	Commissioner
Terry Johnston	City Administrator
J. Thomas Traynor, Jr.	Attorney

AIRPORT OFFICIALS

James Kienast	Chairman
Renard Bergstrom	Board Member
Lt. Col. Brock Larson	NG Liaison Member
Craig Stromme	Board Member
Bill Mertens	Board Member
Dennis Olson	Board Member
John Nord	Manager
J. Thomas Traynor, Jr.	Attorney

STATE AUDITOR

ROBERT R. PETERSON
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

City Commission
City of Devils Lake
Devils Lake, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Devils Lake, North Dakota, as of and for the year ended December 31, 2014, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Devils Lake, North Dakota, as of December 31, 2014, 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 4-11 and 42-43 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 Devils Lake's basic financial statements. The *schedule of fund activity and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *schedule of fund activity and schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 *schedule of fund activity and the schedule of expenditures of federal awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015 on our consideration of the City of Devils Lake'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 City of Devils Lake's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
June 29, 2015

CITY OF DEVILS LAKE
Devils Lake, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

As management of the City of Devils Lake, North Dakota, we offer readers of the City of Devils Lake's financial statements this narrative overview and analysis of the financial activities of the City of Devils Lake for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which can be found on pages 12-38 of this report.

Financial Highlights

- The total assets of the City of Devils Lake exceeded its total liabilities at the close of the most recent fiscal year by \$261,849,039 (*Net position*). Of this amount, \$1,825,803 (*unrestricted Net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$7,008,196, consisting of \$8,731,124 for governmental activities, and (\$1,722,928) for enterprise activities.
- As of the close of the current fiscal year, the City of Devils Lake's governmental funds reported combined ending fund balances of \$12,516,417, a decrease of \$966,654 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,034,166, or 60 percent of total general fund expenditures.
- The City of Devils Lake's total long-term liabilities increased by \$1,749,903 (13 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Devils Lake's basic financial statements. The City of Devils Lake's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Devils Lake's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Devils Lake's assets and liabilities, with the difference between the two reported as *Net position*. Over time, increases or decreases in Net position may serve as a useful indicator of whether the financial position of the City of Devils Lake is improving or deteriorating.

The *statement of activities* presents information showing how the City's Net position changed during the most recent fiscal year. All changes in Net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of the City of Devils Lake that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Devils Lake include general government, public safety, highways and streets, and economic development. The business-type activities of the City of Devils Lake include the water utility, sewer utility and sanitation.

CITY OF DEVILS LAKE

Management's Discussion and Analysis - Continued

The government-wide financial statements include not only the City of Devils Lake itself (known as the *primary government*), but also a legally separate airport authority for which the City of Devils Lake is financially accountable. Financial information for the *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Devils Lake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Devils Lake can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Devils Lake maintains 52 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Lake Region growth fund, infrastructure fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other 47 governmental funds are combined into a single, aggregated presentation. Fund data for the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Devils Lake adopts an annual appropriated budget for its governmental funds, except for capital projects funds. A budgetary comparison statement has been provided for all of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Proprietary funds. The City of Devils Lake maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Devils Lake uses enterprise funds to account for its water, sewer and sanitation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Devils Lake's various functions. The City of Devils Lake uses an internal service fund to account for its self-insurance fund. Because the services of this fund predominantly benefit governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, water source replacement, sewer and sanitation funds, all of which are considered to be major funds of the City of Devils Lake. The internal service fund is also presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

CITY OF DEVILS LAKE

Management's Discussion and Analysis - Continued

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-41 of this report.

Government-wide Financial Analysis

As noted earlier, Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Devils Lake, assets exceeded liabilities by \$261,849,039 at the close of the most recent fiscal year.

By far the largest portion of the City of Devils Lake's Net position (95 percent) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Devils Lake uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Devils Lake's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Devils Lake's Net position (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$1,825,803 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Devils Lake is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's total net position increased by \$7,008,196 (2.8%) during the current fiscal year.

CITY OF DEVILS LAKE'S NET POSITION

As of December 31, 2014 and 2013

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and Other Assets	\$ 14,537,133	\$ 1,807,435	\$ 16,344,568	\$ 15,484,095	\$ 1,808,185	\$ 17,292,280
Capital Assets (net of depreciation)	235,190,441	25,588,522	260,778,963	223,565,285	27,432,599	250,997,884
Total Assets	\$249,727,574	\$27,395,957	\$277,123,531	\$239,049,380	\$29,240,784	\$268,290,164
Liabilities:						
Current Liabilities	\$ 422,448	\$ 104,119	\$ 526,567	\$ 384,616	\$ 66,683	\$ 451,299
Long-Term Liabilities	11,897,368	2,850,557	14,747,925	9,988,130	3,009,892	12,998,022
Total Liabilities	\$ 12,319,816	\$ 2,954,676	\$ 15,274,492	\$ 10,372,746	\$ 3,076,575	\$ 13,349,321
Net Position:						
Net Investment in						
Capital Assets	\$223,695,673	\$25,588,522	\$249,284,195	\$213,983,906	\$27,432,599	\$241,416,505
Restricted	10,739,041	-	10,739,041	12,012,359	-	12,012,359
Unrestricted	2,973,044	(1,147,241)	1,825,803	2,680,369	(1,268,390)	1,411,979
Total Net position	\$237,407,758	\$24,441,281	\$261,849,039	\$228,676,634	\$26,164,209	\$254,840,843

Governmental activities. Governmental activities increased the City of Devils Lake's net position by \$8,731,124. This was due primarily to construction of a flood protection embankment financed primarily from capital contributions totaling \$9.3 million.

CITY OF DEVILS LAKE

Management's Discussion and Analysis - Continued

Business-type activities. Business-type activities decreased the City of Devils Lake's net position by \$1,722,928.

CITY OF DEVILS LAKE'S CHANGES IN NET POSITION

As of December 31, 2014

	Governmental Activities	Business-type Activities	Total
Revenues:			
<u>Program Revenues:</u>			
Charges for Services	\$ 600,083	\$ 3,235,988	\$ 3,836,071
Operating Grants & Contributions	555,009	5,000	560,009
Capital Grants & Contributions	9,335,643	-	9,335,643
<u>General Revenues:</u>			
Property Taxes	2,987,957	-	2,987,957
Sales and Other Taxes	1,623,879	295,251	1,919,130
Non-restricted Grants and Contributions	917,626	-	917,626
Interest Earnings	14,183	160	14,343
Miscellaneous Revenues	235,259	35,394	270,653
Total Revenues	<u>\$ 16,269,639</u>	<u>\$ 3,571,793</u>	<u>\$ 19,841,432</u>
Expenses:			
General Government	\$ 2,688,227	\$ -	\$ 2,688,227
Public Safety	2,094,191	-	2,094,191
Public Works	2,802,811	-	2,802,811
Economic Development	207,431	-	207,431
Conservation of Natural Resources	56,384	-	56,384
Culture and Recreation	246,678	-	246,678
Other	47,955	-	47,955
Interest and Fees	278,602	-	278,602
Water Operations	-	1,228,281	1,228,281
Sewer Operations	-	1,862,432	1,862,432
Sanitation Operations	-	1,320,244	1,320,244
Total Expenses	<u>\$ 8,422,279</u>	<u>\$ 4,410,957</u>	<u>\$ 12,833,236</u>
Change in Net position Before Transfers	\$ 7,847,360	\$ (839,164)	\$ 7,008,196
Transfers	883,764	(883,764)	-
Change in Net Position	<u>\$ 8,731,124</u>	<u>\$ (1,722,928)</u>	<u>\$ 7,008,196</u>
Net Position - January 1, 2013	<u>\$228,676,634</u>	<u>\$26,164,209</u>	<u>\$254,840,843</u>
Net Position - December 31, 2014	<u>\$237,407,758</u>	<u>\$24,441,281</u>	<u>\$261,849,039</u>

CITY OF DEVILS LAKE

Management's Discussion and Analysis - Continued

CITY OF DEVILS LAKE'S CHANGES IN NET POSITION

As of December 31, 2013

	Governmental Activities	Business-type Activities	Total
Revenues:			
<u>Program Revenues:</u>			
Charges for Services	\$ 639,506	\$ 3,414,705	\$ 3,781,211
Operating Grants & Contributions	879,644	5,000	884,644
Capital Grants & Contributions	57,110,433	-	57,110,433
<u>General Revenues:</u>			
Property Taxes	3,070,006	-	3,070,006
Sales and Other Taxes	1,652,707	314,235	1,966,942
Non-restricted Grants and Contributions	814,258	-	814,258
Interest Earnings	20,372	225	20,597
Miscellaneous Revenues	186,973	20,041	207,014
Total Revenues	\$ 64,373,899	\$ 3,481,206	\$ 67,855,105
Expenses:			
General Government	\$ 2,552,980	\$ -	\$ 2,552,980
Public Safety	2,103,571	-	2,103,571
Public Works	17,521,831	-	17,521,831
Economic Development	632,966	-	632,966
Conservation of Natural Resources	34,787	-	34,787
Culture and Recreation	170,579	-	170,579
Other	20,562	4,254	24,816
Interest and Fees	342,700	-	342,700
Water Operations	-	1,032,371	1,032,371
Sewer Operations	-	897,859	897,859
Sanitation Operations	-	1,109,060	1,109,060
Total Expenses	\$ 23,379,976	\$ 3,043,544	\$ 26,423,520
Change in Net position Before Transfers	\$ 40,993,923	\$ 437,662	\$ 41,431,585
Transfers	1,286,889	(1,286,889)	-
Change in Net Position	\$ 42,280,812	\$ (849,227)	\$ 41,431,585
Net Position – January 1, 2013	\$186,395,822	\$27,013,436	\$213,409,258
Net Position – December 31, 2013	\$228,676,634	\$26,164,209	\$254,840,843

Financial Analysis of the Government's Funds

As noted earlier, the City of Devils Lake uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Devils Lake's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Devils Lake's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Devils Lake's governmental funds reported combined ending fund balances of \$12,516,417, a decrease of \$966,654 in comparison with the prior year. 24 percent of this amount \$2,995,122 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted or committed* to indicate that it is not available for new spending because it has already been restricted to 1) pay debt service \$950,492, or for various other special purposes totaling \$6,349,553 for 2) general government, capital projects, public works/streets, economic development, emergency, culture/recreation, conservation of resources, asset forfeiture buys, and city beautification, or is *non-spendable* related to loans receivable and advances \$2,221,250.

CITY OF DEVILS LAKE

Management's Discussion and Analysis - Continued

The general fund is the chief operating fund of the City of Devils Lake. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,034,166, while total fund balance totaled \$3,082,740. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned general fund balance represents 60 percent of the total general fund expenditures. Total general fund balance represents 61 percent of total general fund expenditures.

The fund balance of the City of Devils Lake's general fund increased by \$276,941 during the current fiscal year.

Proprietary funds. The City of Devils Lake's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the current fiscal year, the City of Devils Lake's enterprise funds reported combined ending Net position of \$24,441,281, a decrease of \$1,722,928 in comparison with the prior year. 105 percent of the total net position \$25,588,522 is *net investment in capital assets* used to acquire those assets, net of related debt that is still outstanding. The City of Devils Lake uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Additional information on the City of Devils Lake's proprietary funds can be found in note 26 on page 39 of this report.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- \$85,496, increase in revenues or 2.2 percent of the original budget.
- \$195,356 increase in expenditures or 4.1 percent of the original budget.
- The final budget anticipated an increase in fund balance by \$302,484.

During the year, revenues were more than budgetary estimates by \$37,844, expenditures were more than budgetary estimates by \$47,346, other financing sources and uses were less than budgetary estimates by \$16,041 and ending fund balance decreased compared to budgetary estimates by \$25,543.

Additional information on the City of Devils Lake's budget amendments can be found in note 2 on page 28 of this report.

Capital Asset and Debt Administration

Capital assets. The City of Devils Lake's investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$260,753,363 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, equipment, and construction in progress. The total increase in the City of Devils Lake's investment in capital assets for the current fiscal year was \$9,755,479 (4%).

CAPITAL ASSETS

(Net of Accumulated Depreciation)
As of December 31, 2014 and 2013

	2014			2013		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Land	\$ 3,239,356	\$ 218,289	\$ 3,457,645	\$ 3,061,605	\$ 218,289	\$ 3,279,894
Buildings	1,189,567	337,704	1,527,271	1,196,578	1,549,516	2,746,094
Infrastructure	38,325,444	24,154,416	62,479,860	39,681,726	23,751,170	63,432,896
Equipment	1,179,686	877,995	2,075,681	1,013,308	758,331	1,771,639
Construction in Progress	191,230,788	118	191,230,906	178,612,068	1,155,293	179,767,361
Total Capital Assets	\$235,164,841	\$25,588,522	\$260,753,363	\$223,565,285	\$27,432,599	\$250,997,884

CITY OF DEVILS LAKE

Management's Discussion and Analysis - Continued

The increase in net capital assets is largely due to construction of a flood protection embankment for the City of Devils Lake.

Additional information on the City of Devils Lake's capital assets can be found in note 17 on pages 31-33 of this report.

Long-term debt. At the end of the current fiscal year, the City of Devils Lake had total debt outstanding of \$14,747,925 including compensated absences. Of this amount, \$8,635,000 comprises special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment, and \$4,875,000 are bonds and drawdowns secured solely by specified revenue sources (i.e., revenue bonds) and compensated absences.

The City of Devils Lake's total debt increased by \$1,749,903 (13%) during the current fiscal year due mainly to an increase in special assessment bonds totaling \$2,815,000.

OUTSTANDING LONG-TERM DEBT

As of December 31, 2014 and 2013

	2014			2013		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Special Assessment Bonds	\$ 8,635,000	\$ -	\$ 8,635,000	\$6,680,000	\$ -	\$ 6,680,000
Sales Tax Revenue Bonds	2,190,000	-	2,190,000	2,295,000	-	2,295,000
Capital Lease	331,829	-	331,829	259,993	-	259,993
Contract for Deed	312,339	-	312,339	346,386	-	346,386
Revenue Drawdowns	-	2,685,000	2,685,000	-	2,850,000	2,850,000
Compensated Absences	428,200	165,557	593,757	406,751	159,892	566,643
Total	\$11,897,368	\$2,850,557	\$14,747,925	\$9,988,130	\$3,009,892	\$12,998,022

Additional information on the City of Devils Lake's long-term debt can be found in note 21 on pages 35-36 of this report.

Economic Factors and Next Year's Budgets and Rates

- For budgetary purposes, the City of Devils Lake requires a 33 percent fund balance reserve of operations and maintenance expenditures for the general fund and a 25 percent fund balance reserve of operations and maintenance expenditures for the water fund, sewer fund and sanitation fund.
- The City of Devils Lake's sales tax revenues decreased by \$98,842 or 3.2 percent in comparison to the prior year.
- The City of Devils Lake's City restaurant and lodging tax revenues increased by \$39,968 or 11 percent in comparison to the prior year.
- For the 2014 Budget, Water rates were increased 0.5 percent, Sanitation rates increased 5 percent and Sewer rates were unchanged.
- The City of Devils Lake's taxable valuation increased by \$1,532,046 or 11.8 percent in comparison to the prior year.
- The 2014 budget included an approximately 9.2 mill decrease, or an 8% decrease from 2013.
- Due to continued flooding in the Lake Region area, the City of Devils Lake is in the process of raising the levee system that protects the City. This project will run from late 2010 to late 2015. The anticipated cost for this project is \$155,000,000. The City of Devils Lake has received \$116,250,000 in funding from the federal government, \$36,250,000 in funding from the State of North Dakota and a loan approved for \$2,500,000 for this project. The \$2.5M loan will be paid back with Sales Tax Revenues.

CITY OF DEVILS LAKE

Management's Discussion and Analysis - Continued

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it received to the citizens of the City of Devils Lake. If you have any question about this report or need further information, contact the City of Devils Lake Auditing Department, 423 6th Street NE, Devils Lake, ND 58301 or visit us online at dvlnd.com.

CITY OF DEVILS LAKE
Devils Lake, North Dakota
STATEMENT OF NET POSITION
December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Airport
ASSETS				
Cash and Investments	\$ 7,905,628	\$ 1,524,746	\$ 9,430,374	\$ -
Cash with Fiscal Agent	2,493,442	-	2,493,442	-
Utility Billings Receivable	12,977	235,639	248,616	-
Accounts Receivable	22,580	20,415	42,995	3,817
Intergovernmental Receivable	617,181	26,635	643,816	-
Due from County	3,189	-	3,189	-
Prepaid Expense	23,727	-	23,727	-
Taxes Receivable	26,510	-	26,510	788
Special Assessments Receivable	11,972	-	11,972	-
Loans Receivable	2,172,676	-	2,172,676	-
Long-Term Receivable:				
Uncertified Special Assessments Receivable	1,272,851	-	1,272,851	-
Capital Assets:				
<i>Not Being Depreciated</i>				
Land	3,239,356	218,289	3,457,645	652,089
Construction in Progress	191,230,788	118	191,230,906	9,936,502
<i>Being Depreciated</i>				
Buildings	1,189,567	337,704	1,527,271	1,717,086
Equipment and Vehicles	1,179,686	877,995	2,057,681	54,074
Infrastructure	38,325,444	24,154,416	62,479,860	7,679,479
Total Capital Assets	<u>\$ 235,164,841</u>	<u>\$ 25,588,522</u>	<u>\$ 260,753,363</u>	<u>\$ 20,039,230</u>
Total Assets	<u>\$ 249,727,574</u>	<u>\$ 27,395,957</u>	<u>\$ 277,123,531</u>	<u>\$ 20,043,835</u>
LIABILITIES				
Accounts Payable	\$ 219,803	\$ 81,744	\$ 301,547	\$ 36,196
Cash Overdraft Liability	-	-	-	35,073
Retainage Payable	59,414	-	59,414	727,241
IBNR Payable	71,000	-	71,000	-
Interest Payable	72,231	22,375	94,606	-
Long-Term Liabilities:				
Portion Due or Payable Within One Year:				
Sales Tax Bonds Payable	110,000	-	110,000	-
Revenue Bond Drawdowns	-	170,000	170,000	-
Special Assessment Bonds Payable	825,000	-	825,000	-
Contract for Deed	35,410	-	35,410	-
Capital Leases Payable	106,511	-	106,511	-
Compensated Absences Payable	128,460	49,667	178,127	11,678
Portion Due or Payable After One Year:				
Sales Tax Bonds Payable	2,080,000	-	2,080,000	-
Revenue Bond Drawdowns	-	2,515,000	2,515,000	-
Special Assessment Bonds Payable	7,810,000	-	7,810,000	-
Contract for Deed	276,929	-	276,929	-
Capital Leases Payable	225,318	-	225,318	-
Compensated Absences Payable	299,740	115,890	415,630	27,248
Total Liabilities	<u>\$ 12,319,816</u>	<u>\$ 2,954,676</u>	<u>\$ 15,274,492</u>	<u>\$ 837,436</u>
NET POSITION				
Net Investment in Capital Assets	\$ 223,695,673	\$ 25,588,522	\$ 249,284,195	\$ 20,039,230
Restricted for:				
Debt Service	2,165,969	-	2,165,969	-
Capital Projects	2,372,603	-	2,372,603	-
General Government	2,133,446	-	2,133,446	-
Public Works	1,156,061	-	1,156,061	-
Emergencies	49,675	-	49,675	-
Economic/Job Development	2,624,895	-	2,624,895	-
Culture and Recreation	153,457	-	153,457	-
Conservation of Natural Resources	82,935	-	82,935	-
Unrestricted	2,973,044	(1,147,241)	1,825,803	(832,831)
Total Net Position	<u>\$ 237,407,758</u>	<u>\$ 24,441,281</u>	<u>\$ 261,849,039</u>	<u>\$ 19,206,399</u>

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Airport
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 2,688,227	\$ 325,127	\$ 51,569	\$ -	\$ (2,311,531)		\$ (2,311,531)	
Public Safety	2,094,191	2,230	481,606	-	(1,610,355)		(1,610,355)	
Public Works	2,802,811	258,608	10,594	407,414	(2,126,195)		(2,126,195)	
Flood Prevention	-	-	-	8,928,229	8,928,229		8,928,229	
Economic Development	207,431	-	-	-	(207,431)		(207,431)	
Culture and Recreation	246,678	5,913	-	-	(240,765)		(240,765)	
Conserv. of Natural Resources	56,384	-	-	-	(56,384)		(56,384)	
Health and Welfare	13,574	-	-	-	(13,574)		(13,574)	
Other	34,381	8,205	11,240	-	(14,936)		(14,936)	
Interest & Fees on Long-Term Debt	278,602	-	-	-	(278,602)		(278,602)	
Total Governmental Activities	\$ 8,422,279	\$ 600,083	\$ 555,009	\$ 9,335,643	\$ 2,068,456		\$ 2,068,456	
Business-Type Activities:								
Water Operations	\$ 1,132,281	\$ 733,438	\$ -	\$ -	\$ -	\$ (398,843)	\$ (398,843)	
Water Source Replacement	96,000	263,609	-	-	-	167,609	-	
Sewer	1,862,432	570,229	-	-	-	(1,292,203)	-	
Sanitation	1,320,244	1,667,635	5,000	-	-	352,391	-	
Other Enterprise Funds	-	1,077	-	-	-	1,077	1,077	
Total Business-Type Activities	\$ 4,410,957	\$ 3,235,988	\$ 5,000	\$ -	\$ -	\$ (1,169,969)	\$ (397,766)	
Total Primary Government	\$ 12,833,236	\$ 3,836,071	\$ 560,009	\$ 9,335,643	\$ 2,068,456	\$ (1,169,969)	\$ 1,670,690	
Component Unit:								
Airport	\$ 735,875	\$ 139,609	\$ 391,825	\$ 272,391				\$ 67,950
General Revenues:								
Taxes:								
Property taxes, levied for general purposes	\$ 2,323,274	\$ -	\$ 2,323,274	\$ 112,188				
Property taxes, levied for special purposes	418,188	-	418,188	-				
Property taxes, levied for Debt Service	246,495	-	-	-				
Sales taxes	1,623,879	295,251	1,919,130	-				
Non restricted grants and contributions	917,626	-	917,626	-				
Unrestricted investment earnings	14,183	160	14,343	-				
Sale of Capital Assets	39,587	-	39,587	-				
Miscellaneous	195,672	35,394	231,066	42,525				
Transfers- Enterprise (Net)	883,764	(883,764)	-	-				
Total General Revenues and Transfers	\$ 6,662,668	\$ (552,959)	\$ 5,863,214	\$ 154,713				
Changes in Net Position	\$ 8,731,124	\$ (1,722,928)	\$ 7,008,196	\$ 222,663				
Net Position - January 1	\$ 228,676,634	\$ 26,164,209	\$ 254,840,843	\$ 18,983,736				
Net Position - December 31	\$ 237,407,758	\$ 24,441,281	\$ 261,849,039	\$ 19,206,399				

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	General Fund	Lake Region Growth Fund	Infrastructure	Capital Project Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Investments	\$ 2,667,287	\$ 405,044	\$ 852,819	\$ -	\$ 936,859	\$ 2,552,166	\$ 7,414,175
Cash with Fiscal Agent	-	-	-	2,493,442	-	-	2,493,442
Accounts Receivable	22,580	-	-	-	-	-	22,580
Utility Billings Receivable	12,977	-	-	-	-	-	12,977
Intergovernmental Receivable	375,715	-	106,540	-	13,318	121,608	617,181
Due from County	2,150	-	-	-	315	724	3,189
Taxes Receivable	17,152	-	-	-	2,885	6,473	26,510
Special Assessments Receivable	-	-	-	-	11,972	-	11,972
Uncertified Special Assessments Receivable	-	-	-	-	1,272,851	-	1,272,851
Loans Receivable	-	2,172,676	-	-	-	-	2,172,676
Advance Due from Other Funds	48,574	-	-	-	-	-	48,574
Due from Other Funds	44,548	-	-	-	-	-	44,548
Total Assets	\$ 3,190,983	\$ 2,577,720	\$ 959,359	\$ 2,493,442	\$ 2,238,200	\$ 2,680,971	\$ 14,140,675
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 91,091	\$ -	\$ 41,753	\$ 61,425	\$ -	\$ 25,534	\$ 219,803
Advance Due to Other Funds	-	-	-	-	-	48,574	48,574
Due to Other Funds	-	-	-	-	-	44,548	44,548
Total Liabilities	\$ 91,091	\$ -	\$ 41,753	\$ 61,425	\$ -	\$ 118,656	\$ 312,925
Deferred Inflows of Resources:							
Uncollected Taxes Receivable	\$ 17,152	\$ -	\$ -	\$ -	\$ 2,885	\$ 6,473	\$ 26,510
Uncollected Special Assessments Receivable	-	-	-	-	11,972	-	11,972
Uncertified Special Assessments Receivable	-	-	-	-	1,272,851	-	1,272,851
Total Deferred Inflows of Resources	\$ 17,152	\$ -	\$ -	\$ -	\$ 1,287,708	\$ 6,473	\$ 1,311,333
Total Liabilities & Deferred Inflows of Resources	\$ 108,243	\$ -	\$ 41,753	\$ 61,425	\$ 1,287,708	\$ 125,129	\$ 1,624,258
Fund Balances:							
Non-Spendable:							
Loans Receivable	\$ -	\$ 2,172,676	\$ -	\$ -	\$ -	\$ -	\$ 2,172,676
Advances	48,574	-	-	-	-	-	48,574
Restricted:							
Debt Service	-	-	-	-	950,492	-	950,492
Capital Projects Funds	-	-	-	2,432,017	-	-	2,432,017
General Government	-	-	-	-	-	2,028,165	2,028,165
Public Works/Streets	-	-	917,606	-	-	235,460	1,153,066
Emergency	-	-	-	-	-	48,561	48,561
Economic Development	-	405,044	-	-	-	46,387	451,431
Culture & Recreation	-	-	-	-	-	113,017	113,017
Conservation of Natural Resources	-	-	-	-	-	82,409	82,409
Committed:							
Asset Forfeiture Buy Fund	-	-	-	-	-	2,815	2,815
City Beautification	-	-	-	-	-	38,072	38,072
Unassigned:							
General Fund	3,034,166	-	-	-	-	-	3,034,166
Negative Fund Balances	-	-	-	-	-	(39,044)	(39,044)
Total Fund Balances	\$ 3,082,740	\$ 2,577,720	\$ 917,606	\$ 2,432,017	\$ 950,492	\$ 2,555,842	\$ 12,516,417
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,190,983	\$ 2,577,720	\$ 959,359	\$ 2,493,442	\$ 2,238,200	\$ 2,680,971	\$ 14,140,675

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2014

Total <i>Fund Balances</i> for Governmental Funds		\$ 12,516,417
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Total *net position* reported for governmental activities in the statement of net position is different because:

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

Cost of Capital Assets	\$ 273,507,426	
Less Accumulated Depreciation	(38,342,585)	
Net Capital Assets		235,164,841

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 therefore are reported as deferred revenues in the funds.

Property Taxes	\$ 26,510	
Special Assessments	11,972	
Long-Term Uncertified Special Assessments	1,272,851	1,311,333

Internal service funds are used by management to charge the costs of certain activities such as self insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.

444,180

Long-term 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. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net position. Balances at December 31, 2014 are:

Special Assessment Bonds Payable	\$ (8,635,000)	
Sales Tax Bonds Payable	(2,190,000)	
Contract for Deed	(312,339)	
Capital Leases Payable	(331,829)	
Retainage Payable	(59,414)	
Interest Payable	(72,231)	
Compensated Absences	(428,200)	
Total Long-Term Liabilities		(12,029,013)

Total Net Position of Governmental Activities		<u>\$ 237,407,758</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General Fund	Lake Region Growth Fund	Infrastructure	Capital Project Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 2,327,989	\$ -	\$ -	\$ -	\$ 247,551	\$ 419,376	\$ 2,994,916
Special Assessment Taxes	-	-	-	23,238	371,503	12,611	407,352
Sales Taxes	-	-	1,181,002	-	147,626	295,251	1,623,879
Licenses, Permits and Fees	99,795	-	-	-	-	-	99,795
Charges for Services	253,424	-	-	6,850	-	49,129	309,403
Intergovernmental	921,424	-	-	-	-	551,211	1,472,635
Fines, Forfeitures and Penalties	190,885	-	-	-	-	-	190,885
Interest	6,100	2,397	-	-	-	5,686	14,183
Miscellaneous	168,279	-	-	2,900	-	24,493	195,672
Total Revenues	\$ 3,967,896	\$ 2,397	\$ 1,181,002	\$ 32,988	\$ 766,680	\$ 1,357,757	\$ 7,308,720
Expenditures:							
Current:							
General Government	\$ 1,978,880	\$ -	\$ 290,395	\$ -	\$ 6,560	\$ 291,273	\$ 2,567,108
Public Safety	2,035,335	-	-	-	-	60,356	2,095,691
Public Works	636,350	-	27,237	-	-	400,020	1,063,607
Economic Development	-	109,181	-	-	-	98,250	207,431
Culture and Recreation	23,025	-	-	-	-	186,036	209,061
Conservation of Natural Resources	-	-	-	-	-	56,384	56,384
Health and Welfare	13,574	-	-	-	-	-	13,574
Other	34,381	-	-	-	-	-	34,381
Capital Outlay	220,000	-	79,958	6,996,682	74,731	15,049	7,386,420
Debt Service:							
Principal	64,758	34,048	-	-	965,000	20,905	1,084,711
Interest	9,482	13,855	-	-	217,834	4,551	245,722
Total Expenditures	\$ 5,015,785	\$ 157,084	\$ 397,590	\$ 6,996,682	\$ 1,264,125	\$ 1,132,824	\$ 14,964,090
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,047,889)	\$ (154,687)	\$ 783,412	\$ (6,963,694)	\$ (497,445)	\$ 224,933	\$ (7,655,370)
Other Financing Sources (Uses):							
Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 2,815,000	\$ -	\$ 2,815,000
Bond Premium	-	-	-	-	54,648	-	54,648
Bond Issuance Costs	-	-	-	-	(84,592)	-	(84,592)
Sale of Capital Assets	-	-	-	-	39,587	-	39,587
Capital Lease Financing	157,500	-	-	-	-	-	157,500
Transfers In	1,301,627	239,914	-	3,498,587	565,485	497,946	6,103,559
Transfers Out	(134,297)	(26,200)	(872,119)	(451,526)	(3,022,292)	(713,361)	(5,219,795)
Total Other Financing Sources and Uses	\$ 1,324,830	\$ 213,714	\$ (872,119)	\$ 3,047,061	\$ 367,836	\$ (215,415)	\$ 3,865,907
Net Change in Fund Balances	\$ 276,941	\$ 59,027	\$ (88,707)	\$ (3,916,633)	\$ (129,609)	\$ 9,518	\$ (3,789,463)
Fund Balance - January 1	\$ 2,805,799	\$ 2,518,693	\$ 1,007,918	\$ 3,524,236	\$ 1,080,101	\$ 2,546,324	\$ 13,483,071
Prior Period Adjustment	-	-	(1,605)	2,824,414	-	-	2,822,809
Fund Balance - January 1, as restated	\$ 2,805,799	\$ 2,518,693	\$ 1,006,313	\$ 6,348,650	\$ 1,080,101	\$ 2,546,324	\$ 16,305,880
Fund Balance - December 31	\$ 3,082,740	\$ 2,577,720	\$ 917,606	\$ 2,432,017	\$ 950,492	\$ 2,555,842	\$ 12,516,417

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Net Change in *Fund Balances* - Total Governmental Funds \$ (3,789,463)

The change in net position reported for governmental activities in the statement of activities is different because:

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. This is the amount by which capital outlay and capital contributions exceeded depreciation in the current period.

Current Year Capital Outlay	\$ 329,421	
Capital Contribution	16,224,869	
Current Year Depreciation Expense	<u>(2,088,598)</u>	14,465,692

In the statement of activities, only the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position. (43,327)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Compensated Absences	\$ (21,449)	
Net Change in Retainage Payable	(21,311)	
Net Change in Interest Payable	<u>(2,936)</u>	(45,696)

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded debt repayment.

Issuance of Long-Term Debt- Bonds	\$ (2,815,000)	
Issuance of Long-Term Debt - Capital Lease	(157,500)	
Repayment of Long-Term Debt	1,084,711	(1,887,789)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. The net effect is:

Net Change in Taxes Receivable	\$ (6,959)	
Net Change in Special Assessments Receivable	2,002	
Net Change in Uncertified Special Assessments Receivable	<u>(1,940)</u>	(6,897)

The net income of certain activities of the internal service fund is reported with governmental activities.

38,604

Change in net position of Governmental Activities

\$ 8,731,124

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Water Fund	Water Source Replacement Fund	Sewer Fund	Sanitation Fund	Other Enterprise Funds		
ASSETS:							
<u>Current Assets:</u>							
Cash and Investments	\$ 269,376	\$ 130,556	\$ 522,653	\$ 593,899	\$ 8,262	\$ 1,524,746	\$ 491,453
Utility Billings Receivable	45,716	24,692	41,327	123,871	33	235,639	-
Accounts Receivable	-	-	20,415	-	-	20,415	-
Intergovernmental Receivables	-	-	26,635	-	-	26,635	-
Prepaid Expense	-	-	-	-	-	-	23,727
Total Current Assets	\$ 315,092	\$ 155,248	\$ 611,030	\$ 717,770	\$ 8,295	\$ 1,807,435	\$ 515,180
<u>Noncurrent Assets:</u>							
<i>Capital Assets Not Being Depreciated</i>							
Land	\$ 122,184	\$ -	\$ 17,151	\$ 78,954	\$ -	\$ 218,289	\$ -
Construction in Progress	59	-	59	-	-	118	-
<i>Capital Assets Being Depreciated</i>							
Buildings	-	-	264,955	72,749	-	337,704	-
Equipment and Vehicles	127,032	-	146,286	604,677	-	877,995	-
Infrastructure	18,705,462	-	4,974,156	474,798	-	24,154,416	-
Total Noncurrent Assets	\$ 18,954,737	\$ -	\$ 5,402,607	\$ 1,231,178	\$ -	\$ 25,588,522	\$ -
Total Assets	\$ 19,269,829	\$ 155,248	\$ 6,013,637	\$ 1,948,948	\$ 8,295	\$ 27,395,957	\$ 515,180
LIABILITIES:							
<u>Current Liabilities:</u>							
Accounts Payable	\$ 17,246	\$ -	\$ 13,236	\$ 51,262	\$ -	\$ 81,744	\$ -
Accrued Interest Payable	-	22,375	-	-	-	22,375	-
Revenue Drawdown	-	170,000	-	-	-	170,000	-
Compensated Absences	11,250	-	17,266	21,151	-	49,667	-
IBNR Claims	-	-	-	-	-	-	71,000
Total Current Liabilities	\$ 28,496	\$ 192,375	\$ 30,502	\$ 72,413	\$ -	\$ 323,786.00	\$ 71,000
<u>Noncurrent Liabilities:</u>							
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Drawdown	-	2,515,000	-	-	-	2,515,000	-
Compensated Absences	26,251	-	40,287	49,352	-	115,890	-
Total Noncurrent Liabilities	\$ 26,251	\$ 2,515,000	\$ 40,287	\$ 49,352	\$ -	\$ 2,630,890	\$ -
Total Liabilities	\$ 54,747	\$ 2,707,375	\$ 70,789	\$ 121,765	\$ -	\$ 2,954,676	\$ 71,000
NET POSITION:							
Net Investment in Capital Assets	\$ 18,954,737	\$ -	\$ 5,402,607	\$ 1,231,178	\$ -	\$ 25,588,522	\$ -
Unrestricted	260,345	(2,552,127)	540,241	596,005	8,295	(1,147,241)	444,180
Total Net Position	\$ 19,215,082	\$ (2,552,127)	\$ 5,942,848	\$ 1,827,183	\$ 8,295	\$ 24,441,281	\$ 444,180

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Water Fund	Water Source Replacement Fund	Sewer Fund	Sanitation Fund	Other Enterprise Funds	Total	
Operating Revenues:							
Charges for Services	\$ 733,438	\$ 263,609	\$ 570,229	\$ 1,667,635	\$ 1,077	\$ 3,235,988	\$ -
Contributions to Self Insurance	-	-	-	-	-	-	870,262
Total Operating Revenues	\$ 733,438	\$ 263,609	\$ 570,229	\$ 1,667,635	\$ 1,077	\$ 3,235,988	\$ 870,262
Operating Expenses:							
Operating Expenses	\$ 189,770	\$ -	\$ 298,946	\$ 679,370	\$ -	\$ 1,168,086	\$ -
Warwick Wells	40,796	-	-	-	-	40,796	-
Inert Landfill	-	-	-	47,317	-	47,317	-
Transfer Station	-	-	-	461,262	-	461,262	-
Health Insurance	-	-	-	-	-	-	842,227
Airport Lot Rent	8,334	-	8,334	6,666	-	23,334	-
Depreciation	893,381	-	389,627	125,629	-	1,408,637	-
Total Operating Expenses	\$ 1,132,281	\$ -	\$ 696,907	\$ 1,320,244	\$ -	\$ 3,149,432	\$ 842,227
Operating Income (Loss)	\$ (398,843)	\$ 263,609	\$ (126,678)	\$ 347,391	\$ 1,077	\$ 86,556	\$ 28,035
Nonoperating Revenues (Expenses):							
Investment Earnings	\$ 52	\$ -	\$ 54	\$ 54	\$ -	\$ 160	\$ 91
Intergovernmental	-	-	-	5,000	-	5,000	-
Sales and Use Tax	-	-	295,251	-	-	295,251	-
Other Nonoperating Revenues	-	-	35,394	-	-	35,394	10,478
Loss on Capital Assets	-	-	(1,165,525)	-	-	(1,165,525)	-
Interest Expense and Service Charges	-	(96,000)	-	-	-	(96,000)	-
Total Nonoperating Revenues (Expenses)	\$ 52	\$ (96,000)	\$ (834,826)	\$ 5,054	\$ -	\$ (925,720)	\$ 10,569
Income (Loss) Before Contributions and Transfers	\$ (398,791)	\$ 167,609	\$ (961,504)	\$ 352,445	\$ 1,077	\$ (839,164)	\$ 38,604
Transfers In	\$ 67,483	\$ -	\$ 5,400	\$ 215,560	\$ -	\$ 288,443	\$ -
Transfers Out	(294,903)	(150,000)	(277,020)	(450,284)	-	(1,172,207)	-
Change in Net Position	\$ (626,211)	\$ 17,609	\$ (1,233,124)	\$ 117,721	\$ 1,077	\$ (1,722,928)	\$ 38,604
Net Position - January 1	\$ 19,841,293	\$ (2,569,736)	\$ 7,175,972	\$ 1,709,462	\$ 7,218	\$ 26,164,209	\$ 405,576
Net Position - December 31	\$ 19,215,082	\$ (2,552,127)	\$ 5,942,848	\$ 1,827,183	\$ 8,295	\$ 24,441,281	\$ 444,180

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Water Fund	Water Source Replacement Fund	Sewer Fund	Sanitation Fund	Other Enterprise Funds	Total	
<u>Cash Flows from Operating Activities:</u>							
Receipts from Customers	\$ 725,529	\$ 262,974	\$ 562,060	\$ 1,675,488	\$ 4,971	\$ 3,231,022	\$ 878,156
Payments to Suppliers	(59,422)	-	(157,974)	(759,211)	-	(976,607)	(813,227)
Payments to Employees	(179,213)	-	(142,727)	(409,646)	-	(731,586)	-
Other Receipts	-	-	35,394	-	-	35,394	10,478
Net Cash Provided by Operating Activities	\$ 486,894	\$ 262,974	\$ 296,753	\$ 506,631	\$ 4,971	\$ 1,558,223	\$ 75,407
<u>Cash Flows from Noncapital Financing Activities:</u>							
Transfers In	\$ 67,483	\$ -	\$ 5,400	\$ 215,560	\$ -	\$ 288,443	\$ -
Operating Grant	-	-	-	5,000	-	5,000	-
Sales Tax	-	-	299,914	-	-	299,914	-
Transfers Out	(294,903)	(150,000)	(277,020)	(450,284)	-	(1,172,207)	-
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (227,420)	\$ (150,000)	\$ 28,294	\$ (229,724)	\$ -	\$ (578,850)	\$ -
<u>Cash Flows from Capital and Related Financing Activities:</u>							
Purchases and Construction of Capital Assets	\$ (298,848)	\$ -	\$ (205,339)	\$ (225,900)	\$ -	\$ (730,087)	\$ -
Principal Paid on Capital Debt	-	(165,000)	-	-	-	(165,000)	-
Interest and Fees Paid on Capital Debt	-	(85,501)	-	-	-	(85,501)	-
Net Cash (Used) by Capital and Related Financing Activities	\$ (298,848)	\$ (250,501)	\$ (205,339)	\$ (225,900)	\$ -	\$ (980,588)	\$ -
<u>Cash Flows from Investing Activities:</u>							
Interest Income	\$ 54	\$ -	\$ 56	\$ 54	\$ -	\$ 164	\$ 91
Net Increase (Decrease) in Cash & Cash Equivalents	\$ (39,320)	\$ (137,527)	\$ 119,764	\$ 51,061	\$ 4,971	\$ (1,051)	\$ 75,498
Cash and Cash Equivalents, January 1	\$ 308,696	\$ 268,083	\$ 402,889	\$ 542,838	\$ 3,291	\$ 1,525,797	\$ 415,955
Cash and Cash Equivalents, December 31	\$ 269,376	\$ 130,556	\$ 522,653	\$ 593,899	\$ 8,262	\$ 1,524,746	\$ 491,453
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities							
Operating Income (Loss)	\$ (398,843)	\$ 263,609	\$ (126,678)	\$ 347,391	\$ 1,077	\$ 86,556	\$ 28,035
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>							
Depreciation Expense	\$ 893,381	\$ -	\$ 389,627	\$ 125,629	\$ -	\$ 1,408,637	\$ -
Non-operating revenues classified as cash inflows from operations	-	-	30,730	-	-	30,730	10,478
Change in Assets and Liabilities:							
Utility Billings Receivable	(7,909)	(635)	311	7,854	3,894	3,515	-
Accounts Receivable	-	-	(8,478)	-	-	(8,478)	-
Intergovernmental Receivables	-	-	4,664	-	-	4,664	-
Prepaid Expense	-	-	-	-	-	-	7,894
Compensated Absences	(2,157)	-	4,103	3,719	-	5,665	-
Accounts Payable	2,422	-	2,474	22,038	-	26,934	-
IBNR Claims	-	-	-	-	-	-	29,000
Net Cash Provided by Operating Activities	\$ 486,894	\$ 262,974	\$ 296,753	\$ 506,631	\$ 4,971	\$ 1,558,223	\$ 75,407

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2014

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Cash Equivalents	\$ 19,721
Accounts Receivable	<u>2,603</u>
Total Assets	<u>\$ 22,324</u>
<u>Liabilities:</u>	
Accounts Payable	\$ 536
Due to Other Entities	<u>21,788</u>
Total Liabilities	<u>\$ 22,324</u>

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Devils Lake, North Dakota operates under a Home Rule Charter and various applicable sections in Title 40 of the North Dakota Century Code. The financial statements of the city have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the City of Devils Lake. 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 Devils Lake 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 Devils Lake.

Based on these criteria, the component unit discussed below is included within the city's reporting entity because of the significance of the operational or financial relationships with the city.

COMPONENT UNIT

In conformity with accounting principles generally accepted in the United States of America, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Discretely Presented Component Unit. The component unit's column in the combined financial statements includes the financial data of the city's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the city.

Devils Lake Airport Authority - The Devils Lake Airport Authority manages the local airport facility. The authority's five member board is appointed by the City Commission. The authority is fiscally dependent upon the city because the City Commission levies taxes and must approve any bond issuances.

B. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary 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. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Special assessments, intergovernmental revenues, charges for services and investment income are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

When both restricted and unrestricted resources are available for use, it is the city's policy to use unrestricted resources first, and then restricted resources as they are needed.

C. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the primary government, the City of Devils Lake and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and interest, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the city's funds including its fiduciary funds and blended component unit. Separate statements for each fund 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 and enterprise funds are aggregated and reported as non-major 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The city reports the following major governmental funds:

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Lake Region Growth Fund. This fund accounts for resources used for loans to local businesses to provide economic growth.

Infrastructure Fund. This fund is used to account for financial resources used for the maintenance of the City of Devils Lake infrastructure.

Capital Project Funds. Capital projects funds are used to account for financial resources, including special assessments, to be used for the acquisition or construction of major capital facilities, (other than those financed by proprietary funds and trust funds).

Debt Service Funds. Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. Revenue sources in this fund are restricted solely for debt retirement.

The City reports the following major enterprise funds:

Water Fund. This fund accounts for the activity of the Water Department. The department operates the water distribution system in the City of Devils Lake.

Water Source Replacement Fund. This fund is used to account for financial resources to be used for replacement of water system infrastructure.

Sewer Fund. This fund accounts for the activities of the Sewer Department. This department operates the sewage treatment plant, sewage pumping stations and collection systems in the City of Devils Lake.

Sanitation Fund. This fund accounts for the activities of the garbage collection system within the City of Devils Lake.

Additionally, the city reports the following funds:

Internal Service Fund. This fund accounts for providing health insurance benefits provided to other departments of the City of Devils Lake on a cost reimbursement basis.

Agency Fund. This fund accounts for cash held by the City of Devils Lake for the Lake Region Narcotics Task Force.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the inter-fund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water fund, Sewer fund, Sanitation fund, Water Source Replacement fund, and of the city's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, salaries, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts, and certificates of deposit with maturities of less than 90 days.

Investments consist of certificates of deposit, with a maturity date in excess of 90 days, stated at cost.

E. Capital Assets

Capital assets include property, plant and equipment. Capital assets are reported in the governmental activities and the business-type activities columns in the government-wide financial statements, and are reported in the water fund, sewer fund, and sanitation fund in the enterprise fund statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired or constructed after July 1, 1980 are reported at historical cost or estimated historical cost.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight line method with the following estimated useful lives:

Buildings and Improvements	15-50 years
Vehicles	7-10 years
Equipment	7-10 years
Sanitation Infrastructure	25-30 years
Sewer Infrastructure	20-50 years
Water Infrastructure	25-30 years
Airport Infrastructure	30-75 years
Infrastructure	10-40 years
Roads - Asphalt	20 years
Roads - Concrete	30 years
Dike	40 years

F. Compensated Absences

Full-time employees are granted vacation benefits from 8 to 16 hours per month depending on tenure with the City. Upon termination of employment, employees will be paid for vacation benefits that have been accrued to a maximum of 240 hours and comp time earned up to a maximum of 32 hours if the employee’s starting date was as of July 1, 2010. If the terminated employee had a start date before July 1, 2010, the employee will be paid for vacation benefits that have been accrued to a maximum of 360 hours and comp time earned up to a maximum of 32 hours. Sick leave benefits accrue at the rate of 8 hours per month. Unused sick leave benefits are allowed to accumulate indefinitely. Upon termination of employment or retirement, unused sick leave will be paid at a rate of 25% of the employee’s regular pay rate for unused days.

G. Fund Balances and Net Position

Fund Balances:

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance spending priorities, minimum fund balance policies, and fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

It is the policy of the City of Devils Lake to reduce funds from the listed areas in the following order: restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Minimum Fund Balance Policy, Budget Stabilization, & Replenishing Deficiencies

It is the policy of the City of Devils Lake to maintain a minimum unassigned fund balance in the general fund of \$1,500,000. The unassigned general fund balance at 12-31-2014 was \$3,034,166. The minimum fund balance is designed to protect against cash flow shortfalls related to timing of projected revenues and to maintain a budget stabilization commitment.

When fund balance falls below the minimum 33% range, the City will replenish shortages/deficiencies using budget strategies and time frames described below:

- City will reduce recurring expenditures to eliminate any structural deficit, or;
- City will increase revenues or pursue other funding sources, or;
- Combination of the two options above;

Minimum fund balances shall be replenished within the following time periods:

- Deficiency resulting in minimum fund balance between 25% and 33% shall be replenished over a period not to exceed one year;
- Deficiency resulting in minimum fund balance between 20% and 25% shall be replenished over a period not to exceed three years;
- Deficiency resulting in minimum fund balance of less than 20% shall be replenished over a period not to exceed five years;

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

CLASSIFICATION	DEFINITION	EXAMPLES
Non-spendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables (loans), endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.

TABLE CONTINUED ON NEXT PAGE.....

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

CONTINUED.....

CLASSIFICATION	DEFINITION	EXAMPLES
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the city auditor.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance; (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes;	Available for any remaining general fund expenditure.

The City of Devils Lake reports non-spendable, restricted, committed, and unassigned fund balances at December 31, 2014.

Non-spendable fund balance is reported in the Lake Region Growth Fund for loans receivable, and in the general fund for advances made to the airport hanger non-major fund.

Restricted fund balances are reported for advances, and for the debt service fund, capital project funds, and various functions within the special revenue funds for restricted tax levies, and amounts restricted by state and federal grants/contracts totaling.

Committed fund balance is reported in the city beautification fund and the asset forfeiture buy fund which were both committed by the governing board.

Unassigned fund balances are reported for the remaining portion of the general fund and for negative fund balances reported in various nonmajor special revenue funds.

Net Position:

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Net investment in capital assets in the statement of net position is shown for capital assets less accumulated depreciation, and less any related debt used to finance the purchase and construction of those capital assets. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements. Net position in the statement of net position is also shown by primary function (as fund balance are shown) as fund balances are shown and is restricted for debt service, capital projects, general government, public safety, public works, emergencies, economic development/job development, culture and recreation, and conservation of natural resources..

Unrestricted net position consists primarily of unrestricted amounts related to the general fund and enterprise funds and business-type activities, as well as amounts reclassified for negative cash balances from the capital project funds. The unrestricted net position is available to meet the district's ongoing obligations.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The city's governing board approved the following amendments to the city budget:

	REVENUES/TRANSFERS IN		
	Original Budget	Amendment	Amended Budget
Major Funds:			
General Fund - Revenues	\$4,938,488	\$ 514,586	\$5,453,074
Lake Region Growth Fund	296,000	(28,831)	267,169
Infrastructure Fund	1,320,000	(120,342)	1,199,658
Debt Service Fund	1,235,542	2,855,195	4,090,737
Capital Projects Fund	-	3,531,576	3,531,576
Non-Major Fund:			
Non-Major Special Revenue (total)	1,811,694	193,318	2,005,012
Internal Service Fund			
Self-Insurance	847,500	33,331	880,831

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
Major Funds:			
General Fund - Expenditures	\$4,878,845	\$ 271,745	\$5,150,590
Lake Region Growth Fund	253,005	(69,720)	183,285
Infrastructure Fund	1,316,943	(47,234)	1,269,709
Debt Service Fund	1,257,122	3,000,402	4,257,524
Capital Projects Fund	-	4,511,891	4,511,891
Non-Major Fund:			
Non-Major Special Revenue (total)	1,952,995	52,163	2,005,158
Internal Service Fund:			
Self-Insurance Fund	890,000	(76,773)	813,227

NOTE 3: DEPOSITS

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

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

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

At year ended December 31, 2014, the City's carrying amount of deposits was \$10,230,372 and the bank balances totaled \$10,267,199. Of the bank balances, \$564,132 was covered by Federal Depository Insurance. Of the bank balances, \$3,631,016 was not collateralized with securities since the funds are held at the Bank of North Dakota, which does not carry FDIC insurance and is not required to provide security pledges. The remaining bank balance of \$6,072,051 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2014, the city held certificates of deposit totaling \$1,514,830.

NOTE 4: CASH WITH FISCAL AGENT

For the Embankment Raise Project, monies have been held with fiscal agents during the construction of the infrastructure. The monies have only one purpose and that is to fund the project. The entities that have held the designated funds include the Bank of North Dakota (\$815,942), and Corp of Engineers (\$1,677,500). The amount available in the corps of engineers account at December 31, 2014 was \$5,308,516 but \$2,815,074 was 'borrowed' for reporting purposes on the balance sheet for negative cash balances in other capital projects funds.

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts on open account from individuals for goods and services furnished by the city in the enterprise funds. No allowance has been established for estimated uncollectible accounts receivable.

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivables consist of reimbursements due from various governments for city sales tax, hospitality tax, grants and other aid.

NOTE 7: UTILITY BILLINGS RECEIVABLE

Utility billings receivable consists of amounts due from citizens on open account for water, sewer and garbage services furnished by the city. No allowance has been established for uncollectible utility billings receivable.

NOTE 8: PREPAID EXPENSE

Prepaid expense is reported in the internal service fund totaling \$23,727 and in the net position statement for a negative payroll liability amount (overpayment for benefits).

NOTE 9: TAXES RECEIVABLE

The taxes receivable represents the past three years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

NOTE 10: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable consists of uncollected special assessments due the City at December 31 for debt service fund regular tax levies. No allowance has been established for uncollectible special assessments.

NOTE 11: LONG-TERM SPECIAL ASSESSMENTS RECEIVABLE

Long-term special assessments receivable consists of the uncertified special assessments that have not yet been certified, which represents a long-term receivable in the financial statements. No allowance has been established for uncollectible long-term special assessments receivable.

NOTE 12: LOANS RECEIVABLE

The City provides loans and grants to businesses for either startup costs or expansion costs. The Community Development Corporation (CDC) receives applications from various businesses. The CDC screens the applications then brings the applications to the governing board that either approves or denies the application. The city sets up a payment schedule with interest for the loans to be repaid. No allowance for doubtful loans has been set up as the city expects to collect 100%. The activity and balances related to these loans are reported in the Lake Region Growth Fund. The city has the following loan activity for the year ended December 31, 2014.

Entity	Balance 1-1-14	Adjustment	Payments	Balance 12-31-14
DL Aero Service- Tanner S.	\$ 3,862	\$ -	\$ 3,862	\$ -
Pugsley's	86,051	-	-	86,051
Goldade Processing	32,648	-	711	31,937
Jason Mitchell	4,756	-	2,779	1,977
Flatlander Foods Inc.	70,216	-	17,504	52,712
Ultra Green Packaging	2,000,000	-	-	2,000,000
Totals	\$2,197,533	\$ -	\$24,856	\$2,172,677

NOTE 13: ACCOUNTS PAYABLE

Accounts payable consists of amounts owed to individuals and to entities for goods received and services rendered prior to December 31, 2014.

NOTE 14: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2014.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 15: DUE TO/FROM OTHER FUNDS

Due to/from other funds represents the amount of negative cash reported in various non-major funds (ND DOT police department grants, and fire department homeland security grant) from the general fund totaling \$44,548.

NOTE 16: ADVANCES DUE TO/FROM

The City has inter-fund loans receivable (shown as advances due to/from on the government wide balance sheet) due to the General Fund from the Airport Hanger and the Sales and Use Tax funds. The balances and payments are shown on the table below:

Fund	Balance 1-1-14	Issued	Payments	Balance 12-31-14
Airport Hanger	\$71,141	\$ -	\$22,567	\$48,574
Sales and Use Tax	27,142	-	27,142	-
Totals	\$98,283	\$ -	\$49,709	\$48,574

The advance to the debt service fund represents the amount that the general fund loaned for the Lemna project. This is being paid back from the Lake Region Growth Fund. An advance from the general fund in the debt service fund offsets this.

The advance to the special revenue fund represents the amount that the general fund loaned for the airport hangar. This is being paid back from funds received from Devils Lake Aero and from the Lake Region Growth Fund. An advance from the general fund in the special revenue fund offsets this.

NOTE 17: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2014:

PRIMARY GOVERNMENT: Governmental Activities:	Balance 1-1-14	Increases	Decreases	Transfers	Balance 12-31-14
<i>Capital assets not being depreciated:</i>					
Land	\$ 3,061,606	\$ 187,750	\$ 10,000	\$ -	\$ 3,239,356
Construction in Progress	175,789,259	15,722,730	-	(281,201)	191,230,788
Total Capital Assets, Not Being Depreciated	\$178,850,865	\$15,910,480	\$ 10,000	\$(281,201)	\$194,470,144
<i>Capital assets being depreciated:</i>					
Buildings	\$ 3,383,038	\$ 79,958	\$ -	\$ -	\$ 3,462,996
Equipment	4,067,062	471,463	184,031	-	4,354,494
Infrastructure	70,846,202	92,389	-	281,201	71,219,792
Total Capital Assets, Being Depreciated	\$ 78,296,302	\$ 643,810	\$184,031	\$ 281,201	\$ 79,037,282
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 2,186,461	\$ 86,968	\$ -	\$ -	\$ 2,273,429
Equipment	3,053,754	271,758	150,704	-	3,174,808
Infrastructure	31,164,476	1,729,872	-	-	32,894,348
Total Accumulated Depreciation	\$ 36,404,691	\$ 2,088,598	\$150,704	\$ -	\$ 38,342,585
Total Capital Assets Being Depreciated, Net	\$ 41,891,611	\$ (1,444,788)	\$ 33,327	\$ 281,101	\$ 40,694,697
Governmental Activities Capital Assets, Net	\$220,742,476	\$14,465,692	\$ 43,327	\$ -	\$235,164,841

Depreciation expense was charged to functions/programs of the city as follows:

Function:	Total
General Government	\$ 36,121
Public Safety	198,066
Public Works	1,816,794
Culture/Recreation	37,617
Total	\$2,088,598

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

PRIMARY GOVERNMENT: Business-Type Activities (Water Fund):	Balance 1-1-14	Increases	Decreases	Transfers	Balance 12-31-14
<i>Capital assets not being depreciated:</i>					
Land	\$ 122,184	\$ -	\$ -	\$ -	\$ 122,184
Construction in Progress	369,253	55,673	-	(424,867)	59
Total Capital Assets, Not Being Depreciated	\$ 491,437	\$ 55,673	\$ -	\$(424,867)	\$ 122,243
<i>Capital assets being depreciated:</i>					
Buildings	\$ 346,660	\$ -	\$ -	\$ -	\$ 346,660
Equipment	408,867	67,483	-	-	476,350
Infrastructure	24,116,807	175,691	-	424,867	24,717,365
Total Capital Assets, Being Depreciated	\$24,872,334	\$ 243,174	\$ -	\$ 424,867	\$25,540,375
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 346,660	\$ -	\$ -	\$ -	\$ 346,660
Equipment	323,349	25,969	-	-	349,318
Infrastructure	5,144,491	867,412	-	-	6,011,903
Total Accumulated Depreciation	\$ 5,814,500	\$ 893,381	\$ -	\$ -	\$ 6,707,881
Total Capital Assets Being Depreciated, Net	\$19,057,834	\$(650,207)	\$ -	\$ 424,867	\$18,832,494
Business-Type Activities Capital Assets, Net	\$19,549,271	\$(594,534)	\$ -	\$ -	\$18,954,737

PRIMARY GOVERNMENT: Business-Type Activities (Sewer Fund):	Balance 1-1-14	Increases	Decreases	Transfers	Balance 12-31-14
<i>Capital assets not being depreciated:</i>					
Land	\$ 17,151	\$ -	\$ -	\$ -	\$ 17,151
Construction in Progress	144,133	3,791	-	(147,865)	59
Total Capital Assets, Not Being Depreciated	\$ 161,284	\$ 3,791	\$ -	\$(147,865)	\$ 17,210
<i>Capital assets being depreciated:</i>					
Buildings	\$ 5,316,072	\$ -	\$3,955,300	\$ -	\$ 1,360,772
Equipment	1,002,026	-	-	-	1,002,026
Infrastructure	11,500,839	201,548	-	147,865	11,850,252
Total Capital Assets, Being Depreciated	\$17,818,937	\$ 201,548	\$3,955,300	\$ 147,865	\$14,213,050
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 3,844,155	\$ 41,437	\$2,789,775	\$ -	\$ 1,095,817
Equipment	808,961	46,779	-	-	855,740
Infrastructure	6,574,686	301,410	-	-	6,876,096
Total Accumulated Depreciation	\$11,227,802	\$ 389,626	\$2,789,775	\$ -	\$ 8,827,653
Total Capital Assets Being Depreciated, Net	\$ 6,591,135	\$(188,078)	\$1,165,525	\$ 147,865	\$ 5,385,397
Business-Type Activities Capital Assets, Net	\$ 6,752,419	\$(184,287)	\$1,165,525	\$ -	\$ 5,402,607

PRIMARY GOVERNMENT: Business-Type Activities (Sanitation Fund):	Balance 1-1-14	Increases	Decreases	Transfers	Balance 12-31-14
<i>Capital assets not being depreciated:</i>					
Land	\$ 78,954	\$ -	\$ -	\$ -	\$ 78,954
<i>Capital assets being depreciated:</i>					
Buildings	\$ 393,094	\$ -	\$ -	\$ -	\$ 393,094
Equipment	1,449,980	225,900	-	-	1,675,879
Infrastructure	496,666	-	-	-	496,666
Total Capital Assets, Being Depreciated	\$2,339,740	\$225,900	\$ -	\$ -	\$2,565,640
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 315,495	\$4,850	\$ -	\$ -	\$ 320,345
Equipment	970,233	100,970	-	-	1,071,203
Infrastructure	2,059	19,809	-	-	21,868
Total Accumulated Depreciation	\$1,287,787	\$125,629	\$ -	\$ -	\$1,413,416
Total Capital Assets Being Depreciated, Net	\$1,051,953	\$100,271	\$ -	\$ -	\$1,152,224
Business-Type Activities Capital Assets, Net	\$1,130,907	\$100,271	\$ -	\$ -	\$1,231,178

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

PRIMARY GOVERNMENT: Business-Type Activities (Total):	Balance 1-1-14	Increases	Decreases	Transfers	Balance 12-31-14
<i>Capital assets not being depreciated:</i>					
Land	\$ 218,289	\$ -	\$ -	\$ -	\$ 218,289
Construction in Progress	513,386	59,464	-	(572,732)	118
Total Capital Assets, Not Being Depreciated	\$ 731,675	\$ 59,464	\$ -	\$(572,732)	\$ 218,407
<i>Capital assets being depreciated:</i>					
Buildings	\$ 6,055,826	\$ -	\$3,955,300	\$ -	\$ 2,100,526
Equipment	2,860,873	293,383	-	-	3,154,256
Infrastructure	36,114,312	377,239	-	572,732	37,064,283
Total Capital Assets, Being Depreciated	\$45,031,011	\$ 670,622	\$3,955,300	\$ 572,732	\$42,319,065
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 4,506,310	\$ 46,287	\$2,789,775	\$ -	\$ 1,762,822
Equipment	2,102,543	173,718	-	-	2,276,261
Infrastructure	11,721,236	1,188,631	-	-	12,909,867
Total Accumulated Depreciation	\$18,330,089	\$1,408,636	\$2,789,775	\$ -	\$16,948,950
Total Capital Assets Being Depreciated, Net	\$26,700,922	\$ (738,014)	\$1,165,525	\$ 572,732	\$25,370,115
<i>Business-Type Activities Capital Assets, Net</i>	\$27,432,597	\$ (678,550)	\$1,165,525	\$ -	\$25,588,522

Depreciation expense of \$893,381, \$389,626, and \$125,629 was charged to the water fund, sewer fund, and sanitation fund, respectively, for a total of \$1,408,636 to enterprise activities.

COMPONENT UNIT: Airport:	Balance 1-1-14	Increases	Decreases	Transfers	Balance 12-31-14
<i>Capital assets not being depreciated:</i>					
Land	\$ 652,089	\$ -	\$ -	\$ -	\$ 652,089
Construction in Progress	9,541,273	395,229	-	-	9,936,502
Total Capital Assets, Not Being Depreciated	\$10,193,362	\$ 395,229	\$ -	\$ -	\$10,588,591
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,007,740	\$ -	\$ -	\$ -	\$ 2,007,740
Equipment	1,471,130	-	-	-	1,471,130
Infrastructure	11,528,656	-	-	-	11,528,657
Total Capital Assets, Being Depreciated	\$15,007,526	\$ -	\$ -	\$ -	\$15,007,526
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 250,499	\$ 40,155	\$ -	\$ -	\$ 290,654
Equipment	1,394,179	22,877	-	-	1,417,056
Infrastructure	3,576,721	272,456	-	-	3,849,177
Total Accumulated Depreciation	\$ 5,221,399	\$ 335,488	\$ -	\$ -	\$ 5,556,887
Total Capital Assets Being Depreciated, Net	\$ 9,786,127	\$(335,488)	\$ -	\$ -	\$ 9,450,639
<i>Component Unit Capital Assets, Net</i>	\$19,979,489	\$ 59,741	\$ -	\$ -	\$20,039,230

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 18: TRANSFERS

The following is reconciliation between cash transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2014:

Governmental Funds	Transfer In	Transfer Out
General Fund	\$1,351,336	\$ 134,297
Lake Region Growth	239,914	26,200
Infrastructure	-	872,119
Capital Project Funds	3,498,587	451,526
Debt Service Funds	565,485	3,049,433
Highway Distribution	50,484	75,000
Cemetery	5,000	19,140
Temporary Employees Fund	71,638	-
Equipment Reserve	334,885	356,983
Weed Control	-	13,322
Economic Development	-	239,914
Fire Dept. Homeland Sec.	912	-
Library	-	1,200
Planning	-	1,200
Parking Authority	27	1,838
Shade Tree	-	1,900
City Beautification	20,000	1,664
Job Development Authority	-	1,200
Airport Hanger	15,000	22,567
Enterprise Funds:		
Water	67,482	294,903
Water Source Replacement	-	150,000
Sewer	5,400	277,020
Sanitation	215,560	450,284
Total Transfers	\$6,441,710	\$6,441,710

NOTE 19: IBNR CLAIMS

Claims which have been incurred at year-end, but not reported, have been recorded as a claims payable in the amount of \$71,000. Blue Cross/Blue Shield, the plan administrator, has calculated this reserve requirement.

NOTE 20: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the balance sheet represent the amount of uncollected taxes receivable, uncollected special assessments receivable, and long-term uncertified special assessments receivable in the fund financial statements for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, uncollected taxes and road accounts receivable are measurable but not available.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 21: LONG-TERM LIABILITIES

During the year ended December 31, 2014, the following changes occurred in long-term liabilities of the city:

PRIMARY GOVERNMENT

Governmental Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Sales Tax Revenue Bond	\$2,295,000	\$ -	\$ 105,000	\$ 2,190,000	\$ 110,000
Special Assessment Bonds	6,680,000	2,815,000	860,000	8,635,000	825,000
Contract for Deed	346,386	-	34,047	312,339	35,410
Capital Leases	259,993	157,500	85,664	331,829	106,511
Compensated Absences *	406,751	21,449	-	428,200	128,460
Total Governmental Activities	\$9,988,130	\$2,993,949	\$ 1,084,711	\$11,897,368	\$1,205,381

Business-Type Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Revenue Bond Drawdowns	\$2,850,000	\$ -	\$165,000	\$2,685,000	\$170,000
Compensated Absences *	159,892	5,665	-	165,557	49,667
Total Governmental Activities	\$3,009,892	\$5,665	\$165,000	\$2,850,557	\$219,667

* - The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

Component Unit – Airport Authority:

Business-Type Activities:	Balance 1-1-14	Increases	Decreases	Balance 12-31-14	Due Within One Year
Compensated Absences *	\$33,363	\$5,563	\$ -	\$38,926	\$11,678

* - The change in compensated absences is shown as a net change because changes in salary prohibit exact calculations of additions and reductions.

Governmental Activities:

Sales Tax Revenue Bond:

\$2,500,000 of Sales Tax Revenue Bonds issued with a 2.5% interest rate. Installments range from \$100,000 to \$170,000 through 2030. \$2,190,000

Special Assessment Bonds:

\$2,815,000 Refunding Improvement Bonds of 2014, Series A, due in annual installments of \$145,000 to \$230,000 through 2030; interest at 1.6% to 3.25%. \$2,815,000

\$2,370,000 Refunding Improvement Bonds Series 2010A, due in annual installments of \$220,000 to \$320,000 through 2018; interest at 1.2% to 2.4%. 995,000

\$3,920,000 Refunding Improvement Bonds Series 2011A, due in annual installments of \$175,000 to \$460,000 through 2027; interest at .85% to 3.0%. 3,520,000

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Special Assessment Bonds – Continued:

\$1,355,000 Refunding Improvement Serial Bonds of 2013, Series A due in annual installments of \$45,000 to \$110,000 through 2029; interest at 0.75% to 3.90%. \$1,305,000

Total Special Assessment Bonds \$8,635,000

Contract for Deed:

\$394,290 Contract for Deed for a parcel of land. The contract for deed is for 10 years. Last payment due in 2022. \$ 312,339

Capital Leases:

\$157,500 Capital Lease for a Fire Truck. The lease is for 4 years at a 2.0% interest rate. Last payment due in 2018. \$ 157,500

\$525,000 Capital Lease for a Spartan Platform Fire Truck. The lease is for 10 years at a 4.25% interest rate. Last payment due in 2017. 174,329

Total Capital Leases \$ 331,829

Business-Type (Enterprise) Funds/Activities:

Water Fund Revenue Drawdowns:

\$3,800,000 of Revenue Bonds were issued with a 2.5% interest rate. Installments range from \$170,000 to \$260,000 through 2027. \$2,685,000

The annual debt service requirements for all long-term debt outstanding, except compensated absences as of December 31, 2014, are as follows:

Governmental Activities:

GOVERNMENTAL ACTIVITIES								
Year Ending December 31	Sales Tax Bonds		Special Assess. Bonds		Contract for Deed		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 110,000	\$ 54,750	\$ 825,000	\$ 197,273	\$ 35,410	\$12,494	\$106,511	\$ 8,832
2016	110,000	52,000	835,000	177,475	36,827	11,077	109,167	6,176
2017	115,000	49,250	825,000	165,205	38,300	9,604	75,854	2,368
2018	120,000	46,375	750,000	151,826	39,832	8,072	40,297	806
2019	120,000	43,375	535,000	140,359	41,425	6,479	-	-
2020 – 2024	670,000	169,375	2,540,000	527,364	120,545	9,226	-	-
2025 – 2029	775,000	80,625	2,095,000	185,179	-	-	-	-
2030 – 2034	170,000	4,250	230,000	3,737	-	-	-	-
TOTAL	\$2,190,000	\$500,000	\$8,635,000	\$1,548,418	\$312,339	\$56,952	\$331,829	\$18,182

Business-Type Activities:

BUSINESS-TYPE ACTIVITIES		
Year Ending December 31	Revenue Bonds	
	Principal	Interest
2015	\$ 170,000	\$ 67,125
2016	175,000	62,875
2017	180,000	58,500
2018	185,000	54,000
2019	195,000	49,375
2020 – 2024	1,055,000	171,250
2025 – 2029	725,000	37,000
TOTAL	\$2,685,000	\$500,125

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 22: OPERATING LEASES

Operating Lease - The City leased two copiers and a postage machine under non-cancelable operating leases. The Library (Component Unit) leased a copier. Operating lease payments totaled \$6,659 for the city and \$545 for the library during 2014. The future minimum lease payments for both leases are as follows:

City of Devils Lake / Component Unit - Library		
Year Ending December 31	Total Payments	
	City	Library
2015	\$ 6,659	\$409
2016	2,110	-
2017	1,200	-
2018	300	-
2019	-	-
TOTAL	\$10,269	\$409

NOTE 23: DEFERRED COMPENSATION PLAN**Defined Contribution Plan**

The City offers its employees a retirement plan under deferred compensation plans created in accordance with Internal Revenue Code Section 457. The main provider of these plans is through Nationwide Retirement Solutions. The city contributes 9.07% of employee's salaries into the plan. The city and employees may contribute up to \$17,000 of the employee's salary to the plan. The city's contribution to the plan for the years ending December 31, 2014, 2013 and 2012 were \$167,150, \$226,773, and \$218,307, respectively, equal to the required contributions for the year.

The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

Defined Benefit Plan

Additionally, the City began participation in the North Dakota Public Employees Retirement System as of January 1, 2014. The North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Eligible mandatory employees hired on or after January 1st, 2014 are required to participate in NDPERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, PO Box 1214, Bismarck, North Dakota, 58502-1214.

As of January 1st, 2014 plan members are required to contribute 7% of their annual covered salary. The City is required to contribute 8.26%. The employer contribution consists of 7.12% for employee retirement and 1.14% for the retiree health benefits fund. The contribution requirements of plan members and the City are established and may be amended by the State legislature. The City's contributions to NDPERS for the year ending December 31, 2014 was \$100,114, equal to the required contributions for the year.

NOTE 24: CONDUIT DEBT**Municipal Industrial Development Bonds:**

From time to time, the city has issued Municipal Industrial Development (MIDA) Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by property financed and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issue. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2014, there are 3 issuances of MIDA Bonds outstanding with an original principal value issued of \$17,515,000. One MIDA bond issuance of \$8,645,000 was done in 2014. The aggregate principal amount currently payable for the MIDA bonds is \$13,461,232.

Community Development Block Grants:

From time to time, the city has obtained Community Development Block Grants (CDBG) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The grants are secured by property financed and are payable solely from the payments received on the underlying mortgage grants. Upon repayment of the grants, ownership of the acquired facilities transfers to the private-sector entity served by the grant. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the grants. Accordingly, the grants are not reported as liabilities in the accompanying financial statements.

As of December 31, 2014, there were 3 CDBG loans outstanding, with an aggregate principal amount payable of \$584,665.

NOTE 25: RISK MANAGEMENT

The City of Devils Lake is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDRF for its general liability, automobile, and public assets insurance coverage. The coverage by NDRF is limited to losses of two million dollars per occurrence for general liability and automobile coverage and to \$4,540,482 for public assets (mobile equipment and portable property) coverage, and also for governance liability of two million dollars per occurrence. The Devils Lake Airport Authority, a component unit, has coverage of two million dollars per occurrence for general liability, one million dollars for automobile, public assets coverage was \$704,765, and the Airport Authority also has two million dollars in coverage for personal injury and malpractice per occurrence with the Old Republic Insurance Company.

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

The city has workers compensation with the North Dakota Workforce, Safety and Insurance.

The city has retained risk for employee health insurance up to a maximum of \$100,000 per year per individual. They have purchased a stop loss policy for amounts in excess of 120% of expected claims.

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

NOTE 26: SEGMENT INFORMATION – PROPRIETARY FUNDS

The City of Devils Lake issued revenue bonds to finance costs in connection with the closure of its landfill. The city has established a separate fund to account for activities related to this bond issue. Summary financial information for the Landfill Closure Fund for the year ended December 31, 2014, is as follows:

CONDENSED STATEMENT OF NET POSITION	
Assets:	
Restricted Assets-Cash	\$8,262
Utility Billings Receivable	33
Total Assets	\$8,295
Net Position:	
Unrestricted	\$8,295

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	
Charges for Services	\$1,077
Operating Income	\$1,077
Change in Net Position	\$1,077
Net Position - January 1	\$7,218
Net Position - December 31	\$8,295

CONDENSED STATEMENT OF CASH FLOWS	
Net cash provided (used) by:	
Operating activities	\$4,971
Net increase (decrease) in cash	\$4,971
Beginning Cash	\$3,291
Ending Cash	\$8,262

NOTE 27: FUND DEFICITS

The following individual funds were in a deficit fund balance position at December 31, 2014:

Fund	Amount
Flood Protection 1-96	(\$3,883,371)
Safe Routes to School	(17,334)
Street Improvement 51-13 – 5 th Street SE	(21,641)
Street Improvement 47-13- 16 th Street SE	(162)
Non-Bonded Debt Service	(18,121)

The city will relieve the deficits in the construction funds with future special assessment collections. The remaining fund deficits will be relieved with future tax collections and transfers.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 28: CONSTRUCTION COMMITMENTS

The City of Devils Lake had the following open construction contracts on various projects with balances owing and retainages payable at December 31, 2014:

Governmental Activities:

City Projects	Original Contract	Change Orders	Total Contract	Total Completed	Remaining Balance	Retainage
Golf Course Realignment	\$1,385,000	\$100,804	\$1,485,804	\$1,459,402	\$ 26,402	\$24,216
Hwy 19 Slurry Seal	6,300	-	6,300	5,813	487	59
Hwy 20 Slurry Seal	32,918	-	32,918	32,816	102	332
Street Improvement #42-12	94,736	22,172	116,908	116,908	-	-
Water, Sewer, Street Imp #51-11	473,461	-	473,461	469,676	3,785	9,585
Wtr/Swr/Str. Improve. #48-13	565,262	4,189	569,451	569,451	-	11,621
Street Imp. #51-13-City Share	90,675	-	90,675	30,228	60,447	1,234
Street Imp. #53-14-6 th St. NE	203,682	-	203,682	166,724	36,958	3,403
Street Imp. #54-14-5 th St. NE	266,795	-	266,795	210,796	55,999	4,302
Street Imp. #55-14-4 th St. NE	275,171	-	275,171	228,458	46,713	4,662
Water, Sewer, Street Imp #50-11	245,174	7,995	253,169	253,169	-	-
Wtr & Sewer Imp. #53-12	70,248	-	70,248	70,248	-	-
Water, Sewer, Str. Imp. #51-11	224,246	6,170	230,416	230,416	-	-
WM Improve. #22-13 – Hwy 2	208,200	13,990	222,190	222,190	-	-
WM #23-14 – 9 th Ave. SE	28,435	200	28,635	28,635	-	-
2013 Curb, Gutter, & Sidewalk	136,463	-38,911	97,552	97,552	-	-
2014 Curb, Gutter, & Sidewalk	145,723	-57,563	88,160	88,160	-	-
Totals	\$4,452,489	\$ 59,046	\$4,511,535	\$4,280,642	\$230,893	\$59,414

Component Unit Activities:

Component Unit - Airport	Original Contract	Change Orders	Total Contract	Total Completed	Remaining Balance	Retainage
Airport #32	\$ 741,964	\$ -	\$ 741,964	\$ 32,669	\$ 709,295	\$ -
Airport #29	2,447,988	16,147	2,464,135	2,414,475	49,660	-
Airport #30	8,630,329	214,836	8,845,165	8,047,001	798,164	727,241
Totals	\$11,820,281	\$230,983	\$12,051,264	\$10,494,145	\$1,557,119	\$727,241

NOTE 29: RELATED PARTY TRANSACTION

The City of Devils Lake is involved with a related party that existed as of December 31, 2014. The nature of the relationship involved the City of Devils Lake and the City Administrator whom had a proportioned ownership status in Flatlander Foods Inc. Flatlander Foods had loan requests from North Central Planning Council (Which uses City of Devils Lake as a conduit) and Forward Devils Lake (economic development entity) that were in total to be \$360,000. The City of Devils Lake was responsible to contribute \$90,000 (60 month amortization schedule at 3% interest) which was paid from the City Growth Fund to Forward Devils Lake entity. The remaining \$270,000 was further split between the North Central Planning Council (\$180,000) and the North Dakota Development Fund (\$90,000).

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 30: PRIOR PERIOD ADJUSTMENTS

Prior period adjustment for the 2014 Statement of Activities (governmental activities) consists of an adjustment to fund balance and beginning construction in progress for a wrong amount provided by the Corps of Engineers for the 'off book' account and capital assets which netted to a \$0 effect on beginning net position, but caused a large increase to beginning fund balance in the capital projects funds, and a decrease in the major infrastructure fund.

The effects of the prior period adjustment to beginning net position for the restatement is as follows:

Net Position of Governmental Activities	Govt. Activities
Net Position as previously reported, January 1, 2014	\$228,676,634
Adjustments to restate the January 1 net position:	
CIP – beginning balance reduction	(2,822,809)
Fund balance – beginning balance increase	2,822,809
Net Position January 1, 2014 as restated	\$228,676,634

The effect of the prior period adjustment to beginning fund balances of the infrastructure fund and the capital projects fund is an increase totaling \$2,822,809 as follows:

Fund Balances of Governmental Funds:	Fund Balance
Fund balances as previously reported, January 1, 2014	\$13,483,071
Adjustments to restate the January 1 fund balances	
Infrastructure fund – prior error	(1,605)
Capital projects funds – prior error	2,824,414
Fund Balance January 1, 2014 as restated	\$16,305,880

NOTE 31: SUBSEQUENT EVENT

The City is in the discovery stages of litigation including property values in conjunction with land acquired involving the embankment project. There is also litigation in the discovery stage involving the damage to land in result of the embankment project. There are no liabilities to report in the financial statements at this time.

CITY OF DEVILS LAKE
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,327,418	\$ 2,354,293	\$ 2,327,989	\$ (26,304)
Licenses, Permits and Fees	95,000	99,794	99,795	1
Charges for Services	231,850	253,425	253,424	(1)
Intergovernmental	880,588	871,463	921,424	49,961
Fines, Forfeitures and Penalties	241,700	190,885	190,885	-
Interest	2,000	915	6,100	5,185
Miscellaneous	66,000	159,277	168,279	9,002
Total Revenues	\$ 3,844,556	\$ 3,930,052	\$ 3,967,896	\$ 37,844
<u>Expenditures:</u>				
Current:				
General Government	\$ 1,929,827	\$ 1,962,728	\$ 1,978,880	\$ (16,152)
Public Safety	2,139,164	2,078,381	2,035,335	43,046
Public Works	650,842	636,351	636,350	1
Health and Welfare	13,450	13,574	13,574	-
Culture & Recreation	22,800	23,025	23,025	-
Other	17,000	34,380	34,381	(1)
Capital Outlay	-	220,000	220,000	-
Debt Service:				
Principal	-	-	64,758	(64,758)
Interest	-	-	9,482	(9,482)
Total Expenditures	\$ 4,773,083	\$ 4,968,439	\$ 5,015,785	\$ (47,346)
Excess (Deficiency) of Revenues Over Expenditures	\$ (928,527)	\$ (1,038,387)	\$ (1,047,889)	\$ (9,502)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,093,932	\$ 1,365,522	\$ 1,301,627	\$ (63,895)
Lease Proceeds	-	157,500	157,500	-
Transfers Out	(105,762)	(182,151)	(134,297)	47,854
Total Other Financing Sources and Uses	\$ 988,170	\$ 1,340,871	\$ 1,324,830	\$ (16,041)
Net Change in Fund Balances	\$ 59,643	\$ 302,484	\$ 276,941	\$ (25,543)
Fund Balances - January 1	\$ 2,805,799	\$ 2,805,799	\$ 2,805,799	\$ -
Fund Balances - December 31	\$ 2,865,442	\$ 3,108,283	\$ 3,082,740	\$ (25,543)

The accompanying required supplementary information notes are an integral part of this schedule.

CITY OF DEVILS LAKE
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
LAKE REGION GROWTH FUND
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Interest Income	\$ 26,000	\$ 27,255	\$ 2,397	(24,858)
<u>Expenditures:</u>				
<u>Current:</u>				
Economic Development	\$ 226,805	\$ 157,085	\$ 109,181	\$ 47,904
<u>Debt Service:</u>				
Principal	-	-	34,048	(34,048)
Interest	-	-	13,855	(13,855)
Total Expenditures	\$ 226,805	\$ 157,085	\$ 157,084	\$ 1
Excess (Deficiency) of Revenues Over Expenditures	\$ (200,805)	\$ (129,830)	\$ (154,687)	\$ (24,857)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 270,000	\$ 239,914	\$ 239,914	\$ -
Transfers Out	(26,200)	(26,200)	(26,200)	-
Total Other Financing Sources and Uses	\$ 243,800	\$ 213,714	\$ 213,714	\$ -
Net Change in Fund Balances	\$ 42,995	\$ 83,884	\$ 59,027	\$ (24,857)
Fund Balances - January 1	\$ 2,518,693	\$ 2,518,693	\$ 2,518,693	\$ -
Fund Balances - December 31	\$ 2,561,688	\$ 2,602,577	\$ 2,577,720	\$ (24,857)

The accompanying required supplementary information notes are an integral part of this schedule.

CITY OF DEVILS LAKE
Devils Lake, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The governing board adopts an annual budget on a basis consistent with GAAP for the general fund, each special revenue fund and each debt service fund of the municipality. The city is required to present the adopted and final amended revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- On or before September 10th of the preceding fiscal year, the city prepares a preliminary budget for the next succeeding year beginning January 1st. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1st, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10th.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

CITY OF DEVILS LAKE
Devils Lake, North Dakota
SCHEDULE OF FUND ACTIVITY (CLIENT BASIS)
For the Year Ended December 31, 2014

	Balance 1-1-14	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-14
GENERAL FUND	\$ 2,358,340.11	\$ 3,944,238.36	\$ 1,351,336.49	\$ 157,500.00	\$ 134,296.81	\$ 5,016,296.62	\$ 2,660,821.53
MAJOR SPECIAL REVENUE FUNDS:							
LAKE REGION GROWTH	\$ 321,160.41	\$ 27,254.29	\$ 239,914.39	\$ -	\$ 26,200.00	\$ 157,084.93	\$ 405,044.16
INFRASTRUCTURE	881,117.65	1,199,657.61	-	-	872,119.03	397,589.46	811,066.77
TOTAL MAJOR SPECIAL REVENUE FUNDS	\$ 1,202,278.06	\$ 1,226,911.90	\$ 239,914.39	\$ -	\$ 898,319.03	\$ 554,674.39	\$ 1,216,110.93
MAJOR CAPITAL PROJECTS FUNDS:							
WATER SUPPLY CONSTRUCTION	\$ (194,934.33)	\$ 200.00	\$ 201,729.54	\$ -	\$ -	\$ 6,995.21	\$ -
FLOOD PROTECTION 1-96	(1,944,372.98)	2,700.00	-	-	122,702.52	1,818,995.81	(3,883,371.31)
SAFE ROUTE TO SCHOOL - 12TH AVE	(24,184.33)	6,850.69	-	-	-	-	(17,333.64)
STR IMPR 42-12 - 7TH ST NE	(1,225.53)	-	4,705.71	-	-	3,480.18	-
WATER & SEWER - STONE RIDGE	(14,602.52)	-	24,280.08	-	-	9,677.56	-
WATER & SEWER - APPLEBEE'S	(28,170.60)	-	31,873.23	-	-	3,702.63	-
W,S, STR IMPR 51-11 - AGASSIZ PROP	(5,198.26)	21,876.77	890,677.50	-	113,828.16	707,367.44	86,160.41
W,S, STR IMPR 56-13 - SLEEP INN	-	-	-	-	-	-	-
W, S,STR IMPR #55-13 - WALMART	699,881.52	-	-	-	-	19,535.00	680,346.52
W, S,STR IMPR #48-13 - HIGHLAND	(226,318.11)	-	949,684.42	-	91,749.00	573,431.30	58,186.01
WATERMAIN REPLACEMENT 22-13 - HWY 2	(210,732.56)	-	260,519.86	-	6,867.20	42,920.10	-
WATERMAIN IMPR 23-14 - 9TH AVE SE	-	-	33,808.20	-	4,663.20	29,145.00	-
2013 CURB, GUTTER & SIDEWALK	975.52	-	225.76	-	-	1,201.28	-
2014 CURB, GUTTER & SIDEWALK	-	1,360.75	91,028.38	-	-	92,389.13	-
STR IMPR 44-12 - 22ND ST NE	-	-	208.72	-	-	208.72	-
STR IMPR 46-12 - ELKHORN	-	-	227.08	-	-	227.08	-
STR IMPR 47-13 - 16TH ST SE	(161.66)	-	-	-	-	-	(161.66)
STR IMPR 51-13 - 5TH ST SE	-	-	64,923.60	-	11,939.96	74,624.84	(21,641.20)
STR IMPR 53-14 - 6TH ST NE	-	-	257,156.38	-	28,814.68	180,091.63	48,250.07
STR IMPR 54-14 - 5TH ST NE	-	-	336,256.88	-	33,970.56	212,315.97	89,970.35
STR IMPR 55-14 - 4TH ST NE	-	-	351,281.17	-	36,991.20	231,195.07	83,094.90
OFF BOOK ACCOUNT- BND (LEEVEE ESCROW)	8,297,693.79	-	-	-	-	2,989,177.35	5,308,516.44
TOTAL MAJOR CAPITAL PROJECTS FUNDS	\$ 6,348,649.95	\$ 32,988.21	\$ 3,498,586.51	\$ -	\$ 451,526.48	\$ 6,996,681.30	\$ 2,432,016.89
MAJOR DEBT SERVICE FUNDS:							
CITY SHARE SPECIAL ASSESSMENT	\$ 45,553.88	\$ 93,280.72	\$ -	\$ -	\$ 84,820.00	\$ -	\$ 54,014.60
SALES & USE TAX	35,202.60	-	1,020.40	-	34,594.56	1,628.44	-
SPECIAL ASSESSMENT CITY PROPERTY	24,763.38	5,416.35	-	-	122.84	5,596.18	24,460.71
PENALTY & INTEREST SPECIAL ASSMT	65,968.64	4,228.15	-	-	10,000.00	-	60,196.79
SPECIAL ASSESSMENT DEFICIENCY	63,759.92	54,846.33	-	-	50,000.00	-	68,606.25
NON-BONDED DEBT SERVICE	12,068.95	53,053.31	733.12	-	83,976.81	-	(18,121.43)
SEWER SEPARATION #1	181,849.06	2,053.05	-	-	-	74,730.59	109,171.52
SALES TAX REV BONDS 2010	171,544.80	149,957.21	-	-	-	173,850.00	147,652.01
REF IMP BONDS 2010	189,505.94	111,172.31	210,860.00	39,587.00	-	371,336.67	179,788.58
REF IMP BONDS 2011	216,087.23	245,916.04	305,202.00	-	862.72	543,286.67	223,055.88
REF IMP BONDS 2012	84,331.70	46,627.69	47,669.00	-	-	93,607.30	85,021.09
REF IMP BONDS 2014	-	3,012.07	-	2,785,056.35	2,785,056.35	-	3,012.07
Northland Trust Escrow	90.15	-	-	-	-	90.15	-
TOTAL MAJOR DEBT SERVICE FUNDS	\$ 1,090,726.25	\$ 769,563.23	\$ 565,484.52	\$ 2,824,643.35	\$ 3,049,433.28	\$ 1,264,126.00	\$ 936,858.07
TOTAL MAJOR FUNDS	\$ 10,999,994.37	\$ 5,973,701.70	\$ 5,655,321.91	\$ 2,982,143.35	\$ 4,533,575.60	\$ 13,831,778.31	\$ 7,245,807.42
NONMAJOR SPECIAL REVENUE FUNDS:							
HIGHWAY DISTRIBUTION	\$ 190,799.01	\$ 419,446.00	\$ 50,484.42	\$ -	\$ 75,000.00	\$ 400,694.47	\$ 185,034.96
ADVERTISING	17,941.00	14,005.66	-	-	-	11,160.00	20,786.66
EMERGENCY	59,142.42	-	-	-	-	-	59,142.42
INSURANCE RESERVE (PREM)	46,854.13	69,209.59	-	-	-	67,624.00	48,439.72
CEMETERY	128,868.89	105,231.40	5,000.00	-	19,140.06	66,025.80	153,934.43

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CITY OF DEVILS LAKE
Devils Lake, North Dakota
SCHEDULE OF FUND ACTIVITY (CLIENT BASIS)
For the Year Ended December 31, 2014

	Balance 1-1-14	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-14
CONTINUED...							
NONMAJOR SPECIAL REVENUE FUNDS: CONT'D							
TEMPORARY EMPLOYEES FUND	\$ -	\$ -	\$ 71,637.91	\$ -	\$ -	\$ 71,637.91	\$ -
EQUIPMENT RESERVE	1,723,076.91	2,368.87	334,885.00	-	356,982.84	-	1,703,347.94
PUBLIC BUILDINGS	53,255.60	5,416.35	-	-	-	55,039.74	3,632.21
WEED CONTROL	39,088.78	28,713.38	-	-	13,321.76	4,032.06	50,448.34
ECONOMIC DEVELOPMENT	-	299,914.39	-	-	239,914.39	60,000.00	-
FIRE DEPT. HOMELAND SECURITY GRANT	(4,082.00)	47,843.16	911.25	-	-	44,672.41	-
ASSET FORFEITURE BUY FUND	939.99	1,875.00	-	-	-	-	2,814.99
ND DOT POLICE GRANTS	-	16,674.90	-	-	-	16,674.90	-
LIBRARY	59,036.38	191,621.94	-	-	1,200.00	186,035.86	63,422.46
PLANNING	52,157.62	-	-	-	1,200.00	2,828.90	48,128.72
PARKING AUTHORITY	36,843.56	15,010.53	27.22	-	1,837.50	11,040.00	39,003.81
SHADE TREE	39,243.39	68,368.68	-	-	1,900.00	56,384.33	49,327.74
CITY BEAUTIFICATION	35,938.48	5,000.00	20,000.00	-	1,664.35	21,201.89	38,072.24
DL HISTORICAL PRESERVATION	5,548.47	-	-	-	-	281.68	5,266.79
JOB DEVELOPMENT AUTHORITY	42,679.83	43,068.68	-	-	1,200.00	38,250.00	46,298.51
SAAF GRANT	-	11,551.48	-	-	-	11,551.48	-
AIRPORT HANGER	12,448.25	8,205.25	15,000.00	-	22,566.96	3,557.04	9,529.50
TOTAL NONMAJOR SPECIAL REVENUE FUNDS	\$ 2,539,780.71	\$ 1,353,525.26	\$ 497,945.80	\$ -	\$ 735,927.86	\$ 1,128,692.47	\$ 2,526,631.44
TOTAL GOVERNMENTAL FUNDS	\$ 13,539,775.08	\$ 7,327,226.96	\$ 6,153,267.71	\$ 2,982,143.35	\$ 5,269,503.46	\$ 14,960,470.78	\$ 9,772,438.86
INTERNAL SERVICE FUND:							
SELF INSURANCE	\$ 447,575.67	\$ 880,831.52	\$ -	\$ -	\$ -	\$ 813,226.53	\$ 515,180.66
ENTERPRISE FUNDS:							
MAJOR ENTERPRISE FUNDS:							
WATER	\$ 331,680.12	\$ 733,491.58	\$ 67,482.84	\$ -	\$ 294,903.20	\$ 539,904.73	\$ 297,846.61
WATER SOURCE REPLACEMENT	292,139.16	263,607.87	-	-	150,000.00	250,500.00	155,247.03
SEWER	445,701.80	905,591.14	5,400.00	-	277,020.07	508,514.29	571,158.58
SANITATION	613,474.33	1,686,686.15	215,560.00	-	450,283.82	1,416,795.24	648,641.42
TOTAL MAJOR BUSINESS-TYPE FUNDS	\$ 1,682,995.41	\$ 3,589,376.74	\$ 288,442.84	\$ -	\$ 1,172,207.09	\$ 2,715,714.26	\$ 1,672,893.64
NONMAJOR ENTERPRISE FUNDS:							
LANDFILL CLOSURE	\$ 7,218.16	\$ 1,076.73	\$ -	\$ -	\$ -	\$ -	\$ 8,294.89
TOTAL ENTERPRISE FUNDS	\$ 1,690,213.57	\$ 3,590,453.47	\$ 288,442.84	\$ -	\$ 1,172,207.09	\$ 2,715,714.26	\$ 1,681,188.53
AGENCY FUNDS:							
LAKE REGION NARCOTICS TASK FORCE	\$ -	\$ 103,938.82	\$ -	\$ -	\$ -	\$ 82,150.90	\$ 21,787.92
TOTAL PRIMARY GOVERNMENT	\$ 15,677,564.32	\$ 11,902,450.77	\$ 6,441,710.55	\$ 2,982,143.35	\$ 6,441,710.55	\$ 18,571,562.47	\$ 11,990,595.97
COMPONENT UNIT:							
DEVILS LAKE AIRPORT AUTHORITY	\$ (230,076.22)	\$ 958,669.63	\$ -	\$ -	\$ -	\$ 772,850.82	\$ (44,257.41)
TOTAL REPORTING ENTITY	\$ 15,447,488.10	\$ 12,861,120.40	\$ 6,441,710.55	\$ 2,982,143.35	\$ 6,441,710.55	\$ 19,344,413.29	\$ 11,946,338.56

CITY OF DEVILS LAKE
Devils Lake, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed Through the State Department of Transportation:</u>		
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	\$ 5,500
State and Community Highway Safety	20.600	3,500
National Priority Safety Programs	20.616	826
<u>Passed Through Federal Aviation Administration:</u>		
Airport Improvement Program **	20.106	* <u>322,900</u>
Total U.S. Department of Transportation		<u>\$ 332,726</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed through the State Department of Emergency Services:</u>		
State Homeland Security Program	97.067	<u>\$ 7,132</u>
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:</u>		
<u>Passed through the State Department of Commerce:</u>		
Community Development Block Grants/State's program	14.228	<u>\$ 205,477</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>		
<u>Passed Through the State Attorney's General Office:</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>\$ 11,942</u>
Total Expenditures of Federal Awards		<u>\$ 557,277</u>
* - Major program		
<u>Programs to be Tested:</u>		
Airport Improvement Program	20.106	<u>\$ 322,900</u>

** - Note: The airport is a discretely presented component unit of the City of Devils Lake.

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Devils Lake under programs of the federal government for the year ended December 31, 2014. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of City of Devils Lake, it is not intended to and does not present the financial position or changes in net position of City of Devils Lake.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, wherein certain types of expenditures are allowable or are limited as to reimbursement.

STATE AUDITOR

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**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

City Commission
City of Devils Lake
Devils Lake, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Devils Lake as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Devils Lake's basic financial statements, and have issued our report thereon dated June 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Devils Lake'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 Devils Lake's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Devils Lake'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 over financial reporting 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.

CITY OF DEVILS LAKE

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* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Devils Lake'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 result 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.



Robert R. Peterson
State Auditor

Fargo, North Dakota
June 29, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor’s Report

Board of County Commissioners
City of Devils Lake
Devils Lake, North Dakota

Report on Compliance for Each Major Federal Program

We have audited City of Devils Lake’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on City of Devils Lake’s major federal program for the year ended December 31, 2014. City of Devils Lake’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for City of Devils Lake’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Devils Lake’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of City of Devils Lake’s compliance.

Opinion on Each Major Federal Program

In our opinion, City of Devils Lake complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

CITY OF DEVILS LAKE

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 - Continued

Report on Internal Control Over Compliance

Management of City of Devils Lake is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Devils Lake's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Devils Lake's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of City of Devils Lake as of and for the year ended December 31, 2014, and have issued our report thereon dated June 29, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
June 29, 2015

CITY OF DEVILS LAKE
Devils Lake, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Discretely Presented Component Unit	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:

Material weaknesses Identified?	_____ Yes	_____ <u>X</u> None noted
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> None noted

Federal Awards

Internal Control over major programs:

Material Weakness Identified?	_____ Yes	_____ <u>X</u> None noted
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported
Type of auditor's report issued on compliance for major program?	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	_____ <u>X</u> None reported

Identification of major programs:

CFDA Numbers	Name of Federal Program Or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and B programs:

\$300,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

Section II - Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

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Board of County Commissioners
City of Devils Lake
Devils Lake, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Devils Lake for the year ended December 31, 2014, and have issued our report thereon dated June 29, 2015. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133

As stated in our engagement letter dated June 5, 2014, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered City of Devils Lake's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Devils Lake's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Devils Lake's internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on each of City of Devils Lake's major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether City of Devils Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about City of Devils Lake's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on City of Devils Lake's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on City of Devils Lake's compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by City of Devils Lake are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated June 29, 2015.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the city's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of County Commissioners and management of City of Devils Lake, is not intended to be, and should not be used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of City of Devils Lake for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve City of Devils Lake.



Robert R. Peterson
State Auditor

Fargo, North Dakota
June 29, 2015

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