



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

City of Devils Lake

Devils Lake, North Dakota

Audit Report for the Year Ended December 31, 2019

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Office of the
State Auditor

CITY OF DEVILS LAKE

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CITY OF DEVILS LAKE

City Officials and Audit Personnel
December 31, 2019

CITY OFFICIALS

Richard S. Johnson	President
Dale Robbins	Commissioner
Shane Hamre	Commissioner
Rob Hach	Commissioner
Jacob Volk	Commissioner
Terry Johnston	City Administrator
Linda Lybeck	City Auditor

AIRPORT OFFICIALS

Dennis Olson	Chairman
Renard Bergstrom	Board Member
Lt. Col. Brock Larson	NG Liaison Member
Rob Hach	Board Member
Jeff Frith	Board Member
Rodger Haugen	Board Member
Bethany Hart	Manager

AUDIT PERSONNEL

Heath Erickson, CPA	Audit Manager
Alex Bakken, CPA	Audit In-Charge



INDEPENDENT AUDITOR'S REPORT

Board of City Commissioners
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, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Devils Lake, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Devils Lake's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Devils Lake, North Dakota, as of December 31, 2019, 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 *budgetary comparison schedules, schedule of employer's share of net pension liability and employer contributions, schedule of employer's share of net OPEB liability and employer contributions, and the notes to the required supplementary information*, as listed in the table of contents, 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.

Management has omitted the *management's discussion and analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020 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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 21, 2020

CITY OF DEVILS LAKE

Statement of Net Position

December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport
ASSETS				
Cash and Investments	\$ 3,383,449	\$ 4,857,978	\$ 8,241,427	\$ 114,409
Cash with Fiscal Agent	1,550,040	-	1,550,040	-
Utility Billings Receivable	16,710	296,175	312,885	-
Accounts Receivable	39,816	40,090	79,906	4,700
Intergovernmental Receivable	579,935	16,566	596,501	-
Due from County	2,312	-	2,312	-
Taxes Receivable	45,500	-	45,500	2,172
Loans Receivable	1,458,987	-	1,458,987	-
Certified Special Assessments Receivable	33,192	-	33,192	-
Uncertified Special Assessments Receivable	1,519,405	-	1,519,405	-
Capital Assets				
Nondepreciable	223,297,078	218,289	223,515,367	773,848
Depreciable, Net	37,147,470	22,648,400	59,795,870	20,649,053
Total Assets	\$ 269,073,894	\$ 28,077,498	\$ 297,151,392	\$ 21,544,182
DEFERRED OUTFLOWS OF RESOURCES				
Pensions & OPEB	\$ 1,001,378	\$ 194,115	\$ 1,195,493	\$ 49,946
Total Assets & Deferred Outflows of Resources	\$ 270,075,272	\$ 28,271,613	\$ 298,346,885	\$ 21,594,128
LIABILITIES				
Accounts Payable	\$ 248,937	\$ 124,163	\$ 373,100	\$ 15,876
Salaries and benefits payable	37,955	232	38,187	-
Retainage Payable	49,872	-	49,872	-
IBNR Payable	62,870	-	62,870	-
Interest Payable	68,705	-	68,705	-
Long-Term Liabilities				
Due Within One Year				
Long Term Debt	1,318,712	-	1,318,712	-
Compensated Absences Payable	151,683	57,551	209,234	13,626
Due After One Year				
Long Term Debt	13,578,289	-	13,578,289	-
Compensated Absences Payable	353,928	134,286	488,214	31,794
Net Pension & OPEB Liability	1,096,386	305,329	1,401,715	78,561
Total Liabilities	\$ 16,967,337	\$ 621,561	\$ 17,588,898	\$ 139,857
DEFERRED INFLOWS OF RESOURCES				
Pensions & OPEB	\$ 668,988	\$ 138,831	\$ 807,819	\$ 35,721
Total Liabilities & Deferred Inflows of Resources	\$ 17,636,325	\$ 760,392	\$ 18,396,717	\$ 175,578
NET POSITION				
Net Investment in Capital Assets	\$ 246,981,567	\$ 22,866,689	\$ 269,848,256	\$ 21,422,901
Restricted for				
Debt Service	1,660,819	-	1,660,819	-
General Government	1,888,000	-	1,888,000	-
Public Works	171,554	-	171,554	-
Emergencies	72,959	-	72,959	-
Economic/Job Development	444,817	-	444,817	-
Culture and Recreation	81,305	-	81,305	-
Conservation of Natural Resources	5,290	-	5,290	-
Unrestricted	1,132,636	4,644,532	5,777,168	(4,351)
Total Net Position	\$ 252,438,947	\$ 27,511,221	\$ 279,950,168	\$ 21,418,550

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

CITY OF DEVILS LAKE

Statement of Activities

For the Year Ended December 31, 2019

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	\$ 2,847,194	\$ 213,616	\$ 67,971	\$ -	\$ (2,565,607)		\$ (2,565,607)	
Public Safety	3,571,794	292,919	43,015	32,081	(3,203,779)		(3,203,779)	
Public Works	2,746,308	-	393,062	8,798,192	6,444,946		6,444,946	
Economic Development	236,498	-	-	-	(236,498)		(236,498)	
Culture and Recreation	295,382	7,830	-	-	(287,552)		(287,552)	
Conserv. of Natural Resources	23,338	-	41,212	-	17,874		17,874	
Other	20,920	-	-	-	(20,920)		(20,920)	
Interest & Fees on Long-Term Debt	351,737	-	-	-	(351,737)		(351,737)	
Total Governmental Activities	\$ 10,093,171	\$ 514,365	\$ 545,260	\$ 8,830,273	\$ (203,273)		\$ (203,273)	
Business-Type Activities								
Water Operations	\$ 1,683,285	\$ 1,171,395	\$ -	\$ -	\$ -	\$ (511,890)	\$ (511,890)	
Water Source Replacement	-	1,372,628	-	-	-	1,372,628	-	
Sewer	1,014,659	851,752	-	-	-	(162,907)	-	
Sanitation	1,445,209	1,854,527	5,000	-	-	414,318	-	
Total Business-Type Activities	\$ 4,143,153	\$ 5,250,302	\$ 5,000	\$ -	\$ -	\$ 1,112,149	\$ (511,890)	
Total Primary Government	\$ 14,236,324	\$ 5,764,667	\$ 550,260	\$ 8,830,273	\$ (203,273)	\$ 1,112,149	\$ (715,163)	
Component Unit								
Airport	\$ 1,775,201	\$ 191,288	\$ 709,062	\$ 395,884				\$ (478,967)
General Revenues								
Property taxes					\$ 3,668,921	\$ -	\$ 3,668,921	\$ 189,509
Sales taxes					1,964,216	151,943	2,116,159	-
Non restricted grants and contributions					681,245	-	681,245	-
Unrestricted investment earnings					133,318	15,327	148,645	-
Loss on Sale of Capital Assets					(338,889)	-	(338,889)	-
Miscellaneous					504,661	49,652	554,313	195,015
Net Cash Transfers					1,173,235	(1,173,235)	-	-
Total General Revenues and Transfers					\$ 7,786,707	\$ (956,313)	\$ 6,830,394	\$ 384,524
Changes in Net Position					\$ 7,583,434	\$ 155,836	\$ 7,739,270	\$ (94,443)
Net Position - January 1					\$ 244,853,615	\$ 27,355,385	\$ 272,209,000	\$ 21,512,993
Prior Period Adjustments					1,898	-	1,898	-
Net Position - January 1, as restated					\$ 244,855,513	\$ 27,355,385	\$ 272,210,898	\$ 21,512,993
Net Position - December 31					\$ 252,438,947	\$ 27,511,221	\$ 279,950,168	\$ 21,418,550

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

CITY OF DEVILS LAKE

Balance Sheet – Governmental Funds

December 31, 2019

	General Fund	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ -	\$ 2,721,040	\$ -	\$ 395,227	\$ 3,116,267
Cash with Fiscal Agent	-	-	1,550,040	-	1,550,040
Accounts Receivable	35,166	4,650	-	-	39,816
Utility Billings Receivable	16,710	-	-	-	16,710
Intergovernmental Receivable	337,610	159,494	-	82,831	579,935
Due from County	1,947	296	-	69	2,312
Taxes Receivable	38,047	6,806	-	647	45,500
Special Assessments Receivable	-	-	-	33,192	33,192
Uncertified Special Assessments Receivable	-	-	-	1,519,405	1,519,405
Loans Receivable	1,450,000	8,987	-	-	1,458,987
Due from Other Funds	2,293,969	392,156	-	1,184,295	3,870,420
Total Assets	<u>\$ 4,173,449</u>	<u>\$ 3,293,429</u>	<u>\$ 1,550,040</u>	<u>\$ 3,215,666</u>	<u>\$ 12,232,584</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 95,429	\$ 53,714	\$ 97,544	\$ 2,250	\$ 248,937
Payroll Payable	150	-	-	-	150
Due to Other Funds	-	-	3,870,420	-	3,870,420
Total Liabilities	<u>\$ 95,579</u>	<u>\$ 53,714</u>	<u>\$ 3,967,964</u>	<u>\$ 2,250</u>	<u>\$ 4,119,507</u>
Deferred Inflows of Resources					
Uncollected Taxes Receivable	\$ 38,047	\$ 6,806	\$ -	\$ 647	\$ 45,500
Uncollected Special Assessments Receivable	-	-	-	33,192	33,192
Uncertified Special Assessments Receivable	-	-	-	1,519,405	1,519,405
Total Deferred Inflows of Resources	<u>\$ 38,047</u>	<u>\$ 6,806</u>	<u>\$ -</u>	<u>\$ 1,553,244</u>	<u>\$ 1,598,097</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 133,626</u>	<u>\$ 60,520</u>	<u>\$ 3,967,964</u>	<u>\$ 1,555,494</u>	<u>\$ 5,717,604</u>
Fund Balances					
Non-Spendable					
Loans Receivable	\$ 1,450,000	\$ 8,987	\$ -	\$ -	\$ 1,458,987
Restricted					
Debt Service	-	-	-	1,660,172	1,660,172
General Government	-	2,293,018	-	-	2,293,018
Public Works/Streets	-	308,299	-	-	308,299
Emergency	-	72,668	-	-	72,668
Economic Development	-	434,201	-	-	434,201
Culture & Recreation	-	72,365	-	-	72,365
Conservation of Natural Resources	-	5,290	-	-	5,290
Committed					
Asset Forfeiture Buy Fund	-	2,927	-	-	2,927
City Beautification	-	35,154	-	-	35,154
Unassigned					
General Fund	2,589,823	-	-	-	2,589,823
Negative Fund Balances	-	-	(2,417,924)	-	(2,417,924)
Total Fund Balances	<u>\$ 4,039,823</u>	<u>\$ 3,232,909</u>	<u>\$ (2,417,924)</u>	<u>\$ 1,660,172</u>	<u>\$ 6,514,980</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,173,449</u>	<u>\$ 3,293,429</u>	<u>\$ 1,550,040</u>	<u>\$ 3,215,666</u>	<u>\$ 12,232,584</u>

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

CITY OF DEVILS LAKE

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position

December 31, 2019

Total Fund Balances for Governmental Funds		\$ 6,514,980
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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.		260,444,548
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Certain receivables 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	\$ 45,500	
Special Assessments	33,192	
Long-Term Uncertified Special Assessments	<u>1,519,405</u>	1,598,097

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.

166,507

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Inflows Related to Pensions and OPEB	\$ (668,988)	
Deferred Outflows Related to Pensions and OPEB	<u>1,001,378</u>	332,390

Long-term liabilities 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.

Long Term Debt	\$ (14,897,001)	
Retainage Payable	(49,872)	
Interest Payable	(68,705)	
Compensated Absences	(505,611)	
Net Pension Liability and OPEB	<u>(1,096,386)</u>	<u>(16,617,575)</u>

Total Net Position of Governmental Activities		<u>\$ 252,438,947</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF DEVILS LAKE

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended December 31, 2019

	General Fund	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,882,754	\$ 301,785	\$ -	\$ 469,610	\$ 3,654,149
Special Assessment Taxes	-	22,801	25,588	334,409	382,798
Sales Taxes	-	1,385,003	-	579,213	1,964,216
Licenses, Permits and Fees	67,971	-	-	-	67,971
Charges for Services	288,022	54,228	-	-	342,250
Intergovernmental	692,975	441,585	23,974	-	1,158,534
Fines, Forfeitures and Penalties	172,116	-	-	-	172,116
Interest	86,868	46,450	-	-	133,318
Miscellaneous	397,457	96,287	9,636	1,281	504,661
Total Revenues	\$ 4,588,163	\$ 2,348,139	\$ 59,198	\$ 1,384,513	\$ 8,380,013
EXPENDITURES					
Current					
General Government	2,340,874	\$ 359,279	\$ -	\$ 8,639	\$ 2,708,792
Public Safety	2,798,678	420,084	-	-	3,218,762
Public Works	613,957	390,402	-	-	1,004,359
Economic Development	-	236,498	-	-	236,498
Culture and Recreation	32,600	214,221	-	-	246,821
Conserv. of Natural Resources	23,338	-	-	-	23,338
Health and Welfare	29,239	-	-	-	29,239
Other	23,294	-	-	-	23,294
Capital Outlay	-	199,117	2,026,941	44,925	2,270,983
Debt Service					
Principal	235,000	41,425	-	1,201,447	1,477,872
Interest	7,665	6,479	-	339,715	353,859
Total Expenditures	\$ 6,104,645	\$ 1,867,505	\$ 2,026,941	\$ 1,594,726	\$ 11,593,817
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,516,482)	\$ 480,634	\$ (1,967,743)	\$ (210,213)	\$ (3,213,804)
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	\$ -	\$ -	\$ -	\$ 2,319,016	\$ 2,319,016
Bond Issuance Costs	-	-	-	(6,180)	(6,180)
Sale of Capital Assets	1,500,000	-	-	-	1,500,000
Transfers In	1,422,744	704,790	2,817,916	687,793	5,633,243
Transfers Out	(30,077)	(1,560,677)	(348,953)	(2,520,301)	(4,460,008)
Total Other Financing Sources and Uses	\$ 2,892,667	\$ (855,887)	\$ 2,468,963	\$ 480,328	\$ 4,986,071
Net Change in Fund Balances	\$ 1,376,185	\$ (375,253)	\$ 501,220	\$ 270,115	\$ 1,772,267
Fund Balance - January 1	\$ 2,663,638	\$ 3,608,162	\$ (2,919,144)	\$ 1,390,057	\$ 4,742,713
Fund Balance - December 31	\$ 4,039,823	\$ 3,232,909	\$ (2,417,924)	\$ 1,660,172	\$ 6,514,980

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

CITY OF DEVILS LAKE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities For the Year Ended December 31, 2019

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 1,772,267
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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 asset transfers and depreciation exceeded capital outlay and capital contribution in the current period.

Current Year Capital Outlay	\$ 11,062,685	
Current Year Depreciation Expense	<u>(2,314,243)</u>	8,748,442

In the statement of activities, only the loss on disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.

Loss on Sale of Capital Assets	\$ (338,889)	
Proceeds from Sale of Capital Assets	<u>(1,500,000)</u>	(1,838,889)

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.

Increase in Compensated Absences Liability	\$ (26,471)	
Increase in Retainage Payable	(26,890)	
Decrease in Interest Payable	<u>8,302</u>	(45,059)

The net pension liability and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Decrease in Net Pension Liability and OPEB	\$ 469,967	
Increase in Deferred Intflows of Resources Related to Pensions and OPEB	(518,256)	
Decrease in Deferred Outflows of Resources Related to Pensions and OPEB	<u>(216,270)</u>	(264,559)

The proceeds of debt issuances are reporting as other 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.

Issuance of Long-Term Debt	\$ (2,319,016)	
Repayment of Long-Term Debt	<u>1,477,872</u>	(841,144)

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.

Increase in Taxes Receivable	\$ 14,772	
Increase in Special Assessment Receivable	24,528	
Increase in Uncertified Special Assessment Receivable	<u>35,242</u>	74,542

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

<u>(22,166)</u>

Change in Net Position of Governmental Activities	<u>\$ 7,583,434</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF DEVILS LAKE

Statement of Net Position – Proprietary Funds

December 31, 2019

	Water Fund	Water Source Replacement Fund	Sewer Fund	Sanitation Fund	Other Enterprise Funds	Total	Activities - Internal Service Fund
ASSETS							
Current Assets							
Cash and Investments	\$ 620,122	\$ 3,195,313	\$ 398,584	\$ 643,959	\$ -	\$ 4,857,978	\$ 267,182
Utility Billings Receivable	45,840	27,646	66,647	156,009	33	296,175	-
Accounts Receivable	23,605	-	16,485	-	-	40,090	-
Intergovernmental Receivables	-	-	16,566	-	-	16,566	-
Total Current Assets	\$ 689,567	\$ 3,222,959	\$ 498,282	\$ 799,968	\$ 33	\$ 5,210,809	\$ 267,182
Noncurrent Assets:							
Capital Assets							
Nondepreciable	\$ 122,184	\$ -	\$ 17,151	\$ 78,954	\$ -	\$ 218,289	\$ -
Depreciable, Net	17,294,142	-	4,613,810	740,448	-	22,648,400	-
Total Noncurrent Assets	\$ 17,416,326	\$ -	\$ 4,630,961	\$ 819,402	\$ -	\$ 22,866,689	\$ -
Total Assets	\$ 18,105,893	\$ 3,222,959	\$ 5,129,243	\$ 1,619,370	\$ 33	\$ 28,077,498	\$ 267,182
DEFERRED OUTFLOWS OF RESOURCES							
Pensions & OPEB	\$ 40,478	\$ -	\$ 50,691	\$ 102,946	\$ -	\$ 194,115	\$ -
Total Assets & Deferred Outflows of Resources	\$ 18,146,371	\$ 3,222,959	\$ 5,179,934	\$ 1,722,316	\$ 33	\$ 28,271,613	\$ 267,182
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ 31,760	\$ -	\$ 34,882	\$ 57,521	\$ -	\$ 124,163	\$ -
Payroll Liabilities	-	-	-	232	-	232	37,805
Compensated Absences	18,319	-	11,432	27,800	-	57,551	-
IBNR Claims	-	-	-	-	-	-	62,870
Total Current Liabilities	\$ 50,079	\$ -	\$ 46,314	\$ 85,553	\$ -	\$ 181,946	\$ 100,675
Noncurrent Liabilities							
Compensated Absences	\$ 42,744	\$ -	\$ 26,675	\$ 64,867	\$ -	\$ 134,286	\$ -
Net Pension & OPEB Liability	63,669	-	79,733	161,927	-	305,329	-
Total Noncurrent Liabilities	\$ 106,413	\$ -	\$ 106,408	\$ 226,794	\$ -	\$ 439,615	\$ -
Total Liabilities	\$ 156,492	\$ -	\$ 152,722	\$ 312,347	\$ -	\$ 621,561	\$ 100,675
DEFERRED INFLOWS OF RESOURCES							
Pensions & OPEB	\$ 28,950	\$ -	\$ 36,254	\$ 73,627	\$ -	\$ 138,831	\$ -
Total Liabilities & Deferred Inflows of Resources	\$ 185,442	\$ -	\$ 188,976	\$ 385,974	\$ -	\$ 760,392	\$ 100,675
NET POSITION							
Net Investment in Capital Assets	\$ 17,416,326	\$ -	\$ 4,630,961	\$ 819,402	\$ -	\$ 22,866,689	\$ -
Unrestricted	544,603	3,222,959	359,997	516,940	33	4,644,532	166,507
Total Net Position	\$ 17,960,929	\$ 3,222,959	\$ 4,990,958	\$ 1,336,342	\$ 33	\$ 27,511,221	\$ 166,507

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

CITY OF DEVILS LAKE

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

For the Year Ended December 31, 2019

	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	\$ 1,171,395	\$ 1,372,628	\$ 851,752	\$ 1,854,527	\$ -	\$ 5,250,302	\$ -
Contributions to Self Insurance	-	-	-	-	-	-	592,143
Total Operating Revenues	\$ 1,171,395	\$ 1,372,628	\$ 851,752	\$ 1,854,527	\$ -	\$ 5,250,302	\$ 592,143
OPERATING EXPENSES							
Operating Expenses	\$ 556,778	\$ -	\$ 624,096	\$ 641,193	\$ -	\$ 1,822,067	\$ -
Warwick Wells	74,365	-	-	-	-	74,365	-
Inert Landfill	-	-	-	42,289	-	42,289	-
Transfer Station	-	-	-	612,701	-	612,701	-
Health Insurance	-	-	-	-	-	-	653,607
Airport Lot Rent	8,334	-	8,334	6,666	-	23,334	-
Depreciation	1,043,808	-	382,229	104,595	-	1,530,632	-
Total Operating Expenses	\$ 1,683,285	\$ -	\$ 1,014,659	\$ 1,407,444	\$ -	\$ 4,105,388	\$ 653,607
Operating Income (Loss)	\$ (511,890)	\$ 1,372,628	\$ (162,907)	\$ 447,083	\$ -	\$ 1,144,914	\$ (61,464)
NONOPERATING REVENUES (EXPENSES)							
Investment Earnings	\$ 5,109	\$ -	\$ 5,109	\$ 5,109	\$ -	\$ 15,327	\$ 3,341
Intergovernmental	-	-	-	5,000	-	5,000	-
Sales and Use Tax	-	-	151,943	-	-	151,943	-
Other Nonoperating Revenues	200	-	48,892	560	-	49,652	35,957
Loss on Capital Assets	-	-	-	(37,765)	-	(37,765)	-
Total Nonoperating Revenues (Expenses)	\$ 5,309	\$ -	\$ 205,944	\$ (27,096)	\$ -	\$ 184,157	\$ 39,298
Income (Loss) Before Contributions and Transfers	\$ (506,581)	\$ 1,372,628	\$ 43,037	\$ 419,987	\$ -	\$ 1,329,071	\$ (22,166)
Transfers In	\$ -	\$ -	\$ 15,032	\$ 134,762	\$ -	\$ 149,794	\$ -
Transfers Out	(367,274)	-	(386,505)	(569,250)	-	(1,323,029)	-
Change in Net Position	\$ (873,855)	\$ 1,372,628	\$ (328,436)	\$ (14,501)	\$ -	\$ 155,836	\$ (22,166)
Net Position - January 1	\$ 18,834,784	\$ 1,850,331	\$ 5,319,394	\$ 1,350,843	\$ 33	\$ 27,355,385	\$ 188,673
Net Position - December 31	\$ 17,960,929	\$ 3,222,959	\$ 4,990,958	\$ 1,336,342	\$ 33	\$ 27,511,221	\$ 166,507

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

CITY OF DEVILS LAKE

Statement of Cash Flows – Proprietary Funds For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Water Fund	Water Source Replacement Fund	Sewer Fund	Sanitation Fund	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers	\$ 1,165,360	\$ 1,372,092	\$ 848,446	\$ 1,843,210	\$ -	\$ 5,229,108	\$ 629,948
Payments to Suppliers	(353,748)	-	(463,012)	(760,875)	-	(1,577,635)	(636,737)
Payments to Employees	(251,940)	-	(135,787)	(495,369)	-	(883,096)	-
Other Receipts	200	-	48,892	560	-	49,652	35,957
Net Cash Provided by Operating Activities	\$ 559,872	\$ 1,372,092	\$ 298,539	\$ 587,526	\$ -	\$ 2,818,029	\$ 29,168
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers In	\$ -	\$ -	\$ 15,032	\$ 134,762	\$ -	\$ 149,794	\$ -
Operating Grant	-	-	-	5,000	-	5,000	-
Sales Tax	-	-	147,195	-	-	147,195	-
Transfers Out	(367,274)	-	(386,505)	(569,250)	-	(1,323,029)	-
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (367,274)	\$ -	\$ (224,278)	\$ (429,488)	\$ -	\$ (1,021,040)	\$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases and Construction of Capital Assets	\$ (81,986)	\$ -	\$ (56,325)	\$ (168,762)	\$ -	\$ (307,073)	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest Income	\$ 5,109	\$ -	\$ 5,109	\$ 5,109	\$ -	\$ 15,327	\$ 3,341
Net Increase (Decrease) in Cash & Cash Equivalents	\$ 115,721	\$ 1,372,092	\$ 23,045	\$ (5,615)	\$ -	\$ 1,505,243	\$ 32,509
Cash and Cash Equivalents, January 1	\$ 504,401	\$ 1,823,221	\$ 375,539	\$ 649,574	\$ -	\$ 3,352,735	\$ 234,673
Cash and Cash Equivalents, December 31	\$ 620,122	\$ 3,195,313	\$ 398,584	\$ 643,959	\$ -	\$ 4,857,978	\$ 267,182
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities							
Operating Income (Loss)	\$ (511,890)	\$ 1,372,628	\$ (162,907)	\$ 447,083	\$ -	\$ 1,144,914	\$ (61,464)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities							
Depreciation Expense	\$ 1,043,808	\$ -	\$ 382,229	\$ 104,595	\$ -	\$ 1,530,632	\$ -
Non-operating revenues classified as cash inflows from operations	200	-	53,641	560	-	54,401	35,957
Change in Assets and Liabilities							
Utility Billings Receivable	(6,651)	(536)	(3,544)	(11,317)	-	(22,048)	-
Accounts Receivable	615	-	238	-	-	853	-
Intergovernmental Receivables	-	-	(4,749)	-	-	(4,749)	-
Accounts Payable	15,623	-	13,689	13,777	-	43,089	37,805
Compensated Absences	5,857	-	(1,512)	4,045	-	8,390	-
Net Pension and OPEB	12,310	-	21,454	28,783	-	62,547	-
IBNR Claims	-	-	-	-	-	-	16,870
Net Cash Provided by Operating Activities	\$ 559,872	\$ 1,372,092	\$ 298,539	\$ 587,526	\$ -	\$ 2,818,029	\$ 29,168

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

CITY OF DEVILS LAKE

Statement of Fiduciary Assets and Liabilities – Agency Funds
December 31, 2019

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 146,532
Intergovernmental Receivable	<u>29,222</u>
 Total Assets	 <u><u>\$ 175,754</u></u>
 LIABILITIES	
Accounts Payable	\$ 6,937
Due to Other Entities	<u>168,817</u>
 Total Liabilities	 <u><u>\$ 175,754</u></u>

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

CITY OF DEVILS LAKE

Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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.

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.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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.

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.

Special Revenue Fund. This fund accounts for financial resources that exist for special purposes. The major sources of revenues are a restricted tax levy and state/federal grants/reimbursements.

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.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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.

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.

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.

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

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.

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Fund Balances and Net Position**Fund Balances****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 12-31-2019 was \$2,589,823, or 42% of 2019 expenditures. 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;

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

The City of Devils Lake reports non-spendable, restricted, committed, and unassigned fund balances at December 31, 2019.

Non-spendable fund balance is reported in the Special Revenue Fund for loans receivable.

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 cash fund balances reported in the capital projects fund.

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.

NOTE 2: DEPOSITS

Custodial Credit Risk:

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.

At year ended December 31, 2019, the City's carrying amount of deposits was \$10,051,648 and the bank balances totaled \$10,115,499. Of the bank balances, \$522,973 was covered by Federal Depository Insurance. \$1,550,016 was

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

held at the Bank of North Dakota, which are not required to provide security pledges. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Interest Rate 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.
- (e) Commercial Paper

As of December 31, 2019, the city held certificates of deposit totaling \$2,130,055.

NOTE 3: 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 (\$1,550,016), and Corp of Engineers (\$25).

NOTE 4: TAXES RECEIVABLE

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.

NOTE 5: LOANS RECEIVABLE

The City provides loans and grants to businesses for either startup costs, expansion costs, or for sale of assets. 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 Special Revenue Fund. The city has the following loan activity for the year ended December 31, 2019.

Name/Business	Balance 1-Jan	New Loans	Payments	Balance 31- Dec
Goldade Processing	\$ 13,663	\$ -	\$ 4,676	\$ 8,987
CoJack Snack and Pack LLC	\$ -	\$ 1,500,000	\$ 50,000	\$ 1,450,000

NOTE 6: DUE TO/FROM OTHER FUNDS

Due to/from other funds represents the amount of negative cash reported in various capital projects funds totaling \$3,870,420 covered by the General fund (\$2,293,969), the Special Revenue Fund (\$392,156), and the Debt Service fund (\$1,184,295).

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2019:

Primary Government

Governmental Activities	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 3,567,923	\$ -	\$ -	\$ -	\$ 3,567,923
Construction in Progress	209,724,296	10,239,099	-	(234,239)	219,729,156
Total Capital Assets, Not Being Depreciated	\$ 213,292,218	\$ 10,239,099	\$ -	\$ (234,239)	\$ 223,297,078
<i>Capital assets being depreciated:</i>					
Buildings	\$ 5,481,774	\$ 48,833	\$ 2,000,000	\$ -	\$ 3,530,607
Equipment	5,212,965	261,362	-	-	5,474,327
Infrastructure	76,426,242	513,394	-	234,239	77,173,875
Total Capital Assets, Being Depreciated	\$ 87,120,981	\$ 823,589	\$ 2,000,000	\$ 234,239	\$ 86,178,809
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 2,757,382	\$ 73,242	\$ 161,111	\$ -	\$ 2,669,513
Equipment	3,793,427	267,471	-	-	4,060,898
Infrastructure	40,327,397	1,973,531	-	-	42,300,927
Total Accumulated Depreciation	\$ 46,878,206	\$ 2,314,244	\$ 161,111	\$ -	\$ 49,031,339
Total Capital Assets Being Depreciated, Net	\$ 40,242,775	\$ (1,490,655)	\$ 1,838,889	\$ 234,239	\$ 37,147,471
Total Capital Assets, Net	\$ 253,534,993	\$ 8,748,444	\$ 1,838,889	\$ -	\$ 260,444,549

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

Function	Total
General Government	\$ 34,932
Public Safety	188,365
Public Works & Infrastructure	2,050,367
Culture/Recreation	40,352
Health/Welfare	228
Total	\$ 2,314,244

Business-Type Activities

Business-Type Activities - Water Fund	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 122,184	\$ -	\$ -	\$ -	\$ 122,184
<i>Capital assets being depreciated:</i>					
Buildings	\$ 346,660	\$ -	\$ -	\$ -	\$ 346,660
Equipment	552,298	81,986	-	-	634,284
Infrastructure	27,857,013	-	-	-	27,857,013
Total Capital Assets, Being Depreciated	\$ 28,755,971	\$ 81,986	\$ -	\$ -	\$ 28,837,957
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 346,660	\$ -	\$ -	\$ -	\$ 346,660
Equipment	427,117	37,596	-	-	464,713
Infrastructure	9,726,231	1,006,212	-	-	10,732,443
Total Accumulated Depreciation	\$ 10,500,008	\$ 1,043,808	\$ -	\$ -	\$ 11,543,815
Total Capital Assets Being Depreciated, Net	\$ 18,255,963	\$ (961,822)	\$ -	\$ -	\$ 17,294,142
Total Capital Assets, Net	\$ 18,378,147	\$ (961,822)	\$ -	\$ -	\$ 17,416,326

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Business-Type Activities - Sewer Fund	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 17,151	\$ -	\$ -	\$ -	\$ 17,151
<i>Capital assets being depreciated:</i>					
Buildings	\$ 1,360,772	\$ -	\$ -	\$ -	\$ 1,360,772
Equipment	1,207,972	11,400	-	-	1,219,372
Infrastructure	12,715,638	44,925	-	-	12,760,563
Total Capital Assets, Being Depreciated	\$ 15,284,382	\$ 56,325	\$ -	\$ -	\$ 15,340,707
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,244,242	\$ 24,112	\$ -	\$ -	\$ 1,268,354
Equipment	986,648	45,313	-	-	1,031,961
Infrastructure	8,113,778	312,804	-	-	8,426,582
Total Accumulated Depreciation	\$ 10,344,668	\$ 382,229	\$ -	\$ -	\$ 10,726,897
Total Capital Assets Being Depreciated, Net	\$ 4,939,714	\$ (325,904)	\$ -	\$ -	\$ 4,613,810
Total Capital Assets, Net	\$ 4,956,865	\$ (325,904)	\$ -	\$ -	\$ 4,630,961

Business-Type Activities - Sanitation Fund	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 78,954	\$ -	\$ -	\$ -	\$ 78,954
<i>Capital assets being depreciated:</i>					
Buildings	\$ 393,094	\$ -	\$ -	\$ -	\$ 393,094
Equipment	1,738,679	168,762	122,480	-	1,784,961
Infrastructure	496,666	-	-	-	496,666
Total Capital Assets, Being Depreciated	\$ 2,628,438	\$ 168,762	\$ 122,480	\$ -	\$ 2,674,720
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 339,744	\$ 4,850	\$ -	\$ -	\$ 344,594
Equipment	1,473,545	79,936	84,715	-	1,468,765
Infrastructure	101,104	19,809	-	-	120,913
Total Accumulated Depreciation	\$ 1,914,393	\$ 104,595	\$ 84,715	\$ -	\$ 1,934,273
Total Capital Assets Being Depreciated, Net	\$ 714,045	\$ 64,167	\$ 37,765	\$ -	\$ 740,448
Total Capital Assets, Net	\$ 792,999	\$ 64,167	\$ 37,765	\$ -	\$ 819,402

Business-Type Activities - Total	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 218,289	\$ -	\$ -	\$ -	\$ 218,289
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,100,526	\$ -	\$ -	\$ -	\$ 2,100,526
Equipment	3,498,949	262,148	122,480	-	3,638,617
Infrastructure	41,069,317	44,925	-	-	41,114,242
Total Capital Assets, Being Depreciated	\$ 46,668,792	\$ 307,073	\$ 122,480	\$ -	\$ 46,853,385
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,930,646	\$ 28,962	\$ -	\$ -	\$ 1,959,608
Equipment	2,887,310	162,845	84,715	-	2,965,439
Infrastructure	17,941,113	1,338,825	-	-	19,279,938
Total Accumulated Depreciation	\$ 22,759,069	\$ 1,530,632	\$ 84,715	\$ -	\$ 24,204,986
Total Capital Assets Being Depreciated, Net	\$ 23,909,722	\$ (1,223,559)	\$ 37,765	\$ -	\$ 22,648,400
Total Capital Assets, Net	\$ 24,128,011	\$ (1,223,559)	\$ 37,765	\$ -	\$ 22,866,689

Depreciation expense of \$1,043,808, \$382,229, and \$104,595 was charged to the water fund, sewer fund, and sanitation fund, respectively, for a total of \$1,530,632 to business-type activities.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Discretely Presented Component Unit

Airport - Component Unit	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 722,089	\$ -	\$ -	\$ -	\$ 722,089
Construction in Progress	43,640	8,120	-	-	51,759
Total Capital Assets, Not Being Depreciated	\$ 765,729	\$ 8,120	\$ -	\$ -	\$ 773,848
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,007,740	\$ -	\$ -	\$ -	\$ 2,007,740
Equipment	2,028,171	408,600	-	-	2,436,771
Infrastructure	25,210,822	-	-	-	25,210,822
Total Capital Assets, Being Depreciated	\$ 29,246,733	\$ 408,600	\$ -	\$ -	\$ 29,655,333
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 451,273	\$ 40,155	\$ -	\$ -	\$ 491,428
Equipment	1,435,925	120,000	-	-	1,555,925
Infrastructure	6,230,399	728,528	-	-	6,958,927
Total Accumulated Depreciation	\$ 8,117,596	\$ 888,683	\$ -	\$ -	\$ 9,006,280
Total Capital Assets Being Depreciated, Net	\$ 21,129,137	\$ (480,083)	\$ -	\$ -	\$ 20,649,053
Total Capital Assets, Net	\$ 21,894,865	\$ (471,964)	\$ -	\$ -	\$ 21,422,902

NOTE 8: 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, 2019:

	Transfers In	Transfers Out
Governmental Funds		
Major Funds		
General Fund	\$ 1,422,744	\$ 30,077
Special Revenue Fund	704,790	1,560,677
Capital Project Fund	2,817,916	348,953
Debt Service Fund	687,793	2,520,301
Business-Type Funds		
Major Funds		
Water Fund	-	367,274
Sewer Fund	15,032	386,505
Sanitation Fund	134,762	569,250
Total Transfers	\$ 5,783,037	\$ 5,783,037

NOTE 9: LONG-TERM LIABILITIES

During the year ended December 31, 2019, the following changes occurred in long-term liabilities of the City:

Primary Government

Governmental Activities	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Sales Tax Revenue Bonds	\$ 5,359,794	\$ 1,519,016	\$ 477,998	\$ 6,400,812	\$ 514,827
Special Assessment Bonds	8,300,992	800,000	725,347	8,375,645	760,803
Contract for Deed	161,969	-	41,425	120,544	43,082
Loans Payable	235,000	-	235,000	-	-
Total Long Term Debt	\$ 14,057,755	\$ 2,319,016	\$ 1,479,770	\$ 14,897,001	\$ 1,318,712
Compensated Absences *	\$ 479,140	\$ 26,471	\$ -	\$ 505,611	\$ 151,683
Net Pension & OPEB Liability	1,566,353	-	469,967	1,096,386	-
Total Governmental Activities	\$ 16,103,248	\$ 2,345,487	\$ 1,949,737	\$ 16,498,998	\$ 1,470,395

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Business-Type Activities

Business-Type Activities Water Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 55,205	\$ 5,857	\$ -	\$ 61,063	\$ 18,319
Net Pension & OPEB Liability	82,205	-	18,536	63,669	-
Total Business Activities	\$ 137,410	\$ 5,857	\$ 18,536	\$ 124,731	\$ 18,319

Business-Type Activities Sewer Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 39,619	\$ -	\$ 1,512	\$ 38,107	\$ 11,432
Net Pension & OPEB Liability	99,542	-	19,810	79,733	-
Total Business Activities	\$ 139,161	\$ -	\$ 21,322	\$ 117,839	\$ 11,432

Business-Type Activities Sanitation Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 88,623	\$ 4,045	\$ -	\$ 92,667	\$ 27,800
Net Pension & OPEB Liability	206,063	-	44,136	161,927	-
Total Business Activities	\$ 294,686	\$ 4,045	\$ 44,136	\$ 254,594	\$ 27,800

Business-Type Activities Total	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 183,447	\$ 9,902	\$ 1,512	\$ 191,836	\$ 57,551
Net Pension & OPEB Liability	387,810	-	82,482	305,328	-
Total Business Activities	\$ 571,257	\$ 9,902	\$ 83,994	\$ 497,165	\$ 57,551

* - 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

Airport Authority	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 40,781	\$ 4,639	\$ -	\$ 45,420	\$ 13,626
Net Pension & OPEB Liability	98,179	-	19,618	78,561	-
Total Airport	\$ 138,960	\$ 4,639	\$ 19,618	\$ 123,981	\$ 13,626

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

The annual debt service requirements for all long-term liabilities outstanding, except compensated absences and net pension liability as of December 31, 2019, are as follows:

Primary Government

Year Ending Dec. 31	Sales Tax Bonds		Spec. Assmt. Bonds		Contract for Deed	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 514,827	\$ 155,027	\$ 760,803	\$ 206,294	\$ 43,082	\$ 4,822
2021	530,191	136,836	786,177	192,479	44,805	3,098
2022	543,612	125,459	798,713	174,120	32,657	1,306
2023	557,101	113,787	721,300	155,683	-	-
2024	570,661	100,618	738,939	137,149	-	-
2025-2029	2,764,256	288,722	3,496,177	377,106	-	-
2030-2034	920,165	36,466	1,073,536	35,739	-	-
Totals	\$ 6,400,813	\$ 956,915	\$ 8,375,645	\$ 1,278,570	\$ 120,544	\$ 9,226

NOTE 10: PENSION PLAN**General Information about the NDPERS Pension Plan (Main and Law Enforcement System)*****North Dakota Public Employees Retirement System (Main & Law Enforcement Systems)***

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

Main System

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

Law Enforcement System

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits**Main System**

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired after January 1, 2017 the Rule of 85 will be replaced with a rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service. Effective January 1, 2020, the monthly pension benefit is equal to 1.75% of their average monthly salary, using the highest 36 months out of the last 80 months of service, for each year of service.

Law Enforcement System

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service. Effective January 1, 2020, the monthly pension benefit is equal to 1.75% of their average monthly salary, using the highest 36 months out of the last 80 months of service, for each year of service.

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

Death and Disability Benefits

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

Upon termination, if a member is not vested (is not 65 for the Main System and is not 55 for the Law Enforcement System or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently re-employed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Main System

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

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

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

Law Enforcement System

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

Plan	Member contribution rate	Employer contribution rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	7.93%
State	6.00%	10.31%
National Guard (effective 8/1/2015)*	6.00%	9.81%
Law Enforcement without previous service	5.50%	7.93%

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

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

At December 31, 2019, the City of Devils Lake reported a liability of \$1,255,637 (main system - \$1,299,075; law enforcement system - (\$43,438)), and its component unit (airport) reported a liability of \$70,620 for their proportionate shares of net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City and Airport's proportion of the net pension liability was based on their share of covered payroll in the Main System and Law Enforcement System pension plan relative to the covered payroll of all participating Main System and Law Enforcement System employers. At June 30, 2019, the City's proportion for the Main System was .110836 percent, which was an increase of .011272 percent from its proportion measured as of June 30, 2018. At June 30, 2019, the airport's proportion for the Main System was .006025 percent, which was an increase of .000637 percent from its proportion measured as of June 30, 2018.

At June 30, 2019, the City's proportion for the Law Enforcement System was 9.44039 percent, which was a decrease of 4.995356 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized total pension expense of \$371,105 for the main system, and \$115,288 for the law enforcement system. For the year ended December 31, 2019, the Airport recognized pension expense of \$20,174.

At December 31, 2019, the City and Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Main System - Governmental Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 607	\$ 185,947
Changes of Assumptions	382,870	328,727
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	17,851	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	241,976	(2)
District Contributions Subsequent to the Measurement Date	42,990	-
Total Main System - Governmental	\$ 686,294	\$ 514,672

ND PERS - Law Enforcement	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 8,267	\$ 55,715
Changes of Assumptions	153,466	78,903
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	6,496	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	63,676	16,099
District Contributions Subsequent to the Measurement Date	44,823	-
Total Law Enforcement	\$ 276,728	\$ 150,717

Main System - Business-Type Activities - Water	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 34	\$ 10,387
Changes of Assumptions	21,386	18,362
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	997	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	13,516	(0)
District Contributions Subsequent to the Measurement Date	2,401	-
Total Main System - Business-Type Activities - Water	\$ 38,335	\$ 28,749

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Main System - Business-Type Activities - Sewer	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 42	\$ 13,007
Changes of Assumptions	26,782	22,995
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	1,249	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	16,927	(0)
District Contributions Subsequent to the Measurement Date	3,007	-
Total Main System - Business-Type Activities - Sewer	\$ 48,007	\$ 36,002

Main System - Business-Type Activities - Sanitation	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 86	\$ 26,416
Changes of Assumptions	54,392	46,700
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	2,536	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	34,376	(0)
District Contributions Subsequent to the Measurement Date	6,107	-
Total Main System - Business-Type Activities - Sanitation	\$ 97,497	\$ 73,116

Main System - Airport (Component Unit)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 42	\$ 12,816
Changes of Assumptions	26,389	22,657
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	1,230	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	16,678	(0)
District Contributions Subsequent to the Measurement Date	2,963	-
Total Main System - Airport	\$ 47,302	\$ 35,473

\$42,990 (Governmental – Main System), \$44,823 (Governmental – Law Enforcement System), \$2,401 (Water), \$3,007 (Sewer), \$6,107 (Sanitation), and \$2,963 (Airport) reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020 for the Main System and Law Enforcement System.

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

	Primary Government					Component Unit
	Governmental		Business-Type			
	Main System	Law Enforcement	Water	Sewer	Sanitation	Airport
2020	\$ 139,316	\$ 61,273	\$ 7,782	\$ 9,745	\$ 19,792	\$ 9,602
2021	71,028	43,609	3,968	4,969	10,090	4,896
2022	8,619	(9,543)	481	603	1,224	594
2023	(66,212)	(9,161)	(3,698)	(4,632)	(9,406)	(4,564)
Thereafter	(24,120)	(4,990)	(1,347)	(1,687)	(3,427)	(1,662)

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Main System

Inflation	2.50%
Salary increases	<div>Service at Beginning of year:</div> <div>Increase Rate:</div> <div>0 15.00%</div> <div>1 10.00%</div> <div>2 8.00%</div> <div>Age*</div> <div>Under 30 10.00%</div> <div>30 – 39 7.50%</div> <div>40 – 49 6.75%</div> <div>50 – 59 6.50%</div> <div>60+ 5.25%</div> <div>* Age-based salary increase rates apply for employees with three or more years of service</div>
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

Law Enforcement System (Without prior main system service)

Inflation	2.50%
Salary increases	<div>Service at Beginning of year:</div> <div>Increase Rate:</div> <div>0 20.00%</div> <div>1 20.00%</div> <div>2 10.00%</div> <div>Age*</div> <div>Under 30 7.25%</div> <div>30 – 39 6.50%</div> <div>40 – 49 6.25%</div> <div>50 – 59 5.75%</div> <div>60+ 5.00%</div> <div>* Age-based salary increase rates apply for employees with three or more years of service</div>
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

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

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

Asset Class	Target Allocation	Long -Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
<u>Governmental</u>			
Main System	\$ 1,469,070	\$ 1,024,610	\$ 651,186
Law Enforcement System	85,782	(43,438)	(140,093)
<u>Business-Type Activities</u>			
Water	82,060	57,233	36,374
Sewer	102,764	71,673	45,552
Sanitation	208,701	145,559	92,509
<u>Component Unit</u>			
Airport	101,254	70,620	44,882

Pension Plan Fiduciary Net Position

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

NOTE 11: OPEB PLAN**General Information about the OPEB Plan****North Dakota Public Employees Retirement System**

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

OPEB Benefits

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

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At December 31, 2019, the City reported a liability of \$146,077, and its component unit (Airport) reported a liability of \$7,941 for their proportionate shares of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City and Airport's proportions of the net OPEB liability was based on their share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the City's proportion was .181871 percent, and the Airport's proportion was .009887 percent, which were increases of .011915 percent and .00689 percent respectively from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019 the City recognized OPEB expense of \$23,177, and the Airport recognized OPEB expense of \$1260. At December 31, 2019 the City and Airport reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Main System - Governmental	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,845	\$ 3,599
Changes of Assumptions	13,731	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	129	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	14,769	-
District Contributions Subsequent to the Measurement Date	6,883	-
Total Governmental	\$ 38,357	\$ 3,599

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Main System - Business-Type - Water	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 159	\$ 201
Changes of Assumptions	767	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	7	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	825	-
District Contributions Subsequent to the Measurement Date	384	-
Total Business-Type - Water	\$ 2,143	\$ 201

Main System - Business-Type - Sewer	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 199	\$ 252
Changes of Assumptions	961	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	9	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,033	-
District Contributions Subsequent to the Measurement Date	481	-
Total Business-Type - Sewer	\$ 2,683	\$ 252

Main System - Business-Type - Sanitation	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 404	\$ 511
Changes of Assumptions	1,951	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	18	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	2,098	-
District Contributions Subsequent to the Measurement Date	978	-
Total - Business-Type - Sanitation	\$ 5,449	\$ 511

Main System - Airport (Component Unit)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 196	\$ 248
Changes of Assumptions	946	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	9	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,018	-
District Contributions Subsequent to the Measurement Date	474	-
Total Airport	\$ 2,644	\$ 248

\$6,883 (Governmental – Main System), \$384 (Water), \$481 (Sewer), \$978 (Sanitation), and \$474 (Airport) reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

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

	Primary Government				Component Unit
	Governmental	Business-Type			
		Water	Sewer	Sanitation	Airport
2020	\$ 4,732	\$ 264	\$ 331	\$ 672	\$ 326
2021	4,732	264	331	672	326
2022	5,805	324	406	825	400
2023	5,608	313	392	797	387
2024	4,361	244	305	620	301
2025	2,276	127	159	323	157
2026	360	20	25	51	25

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Actuarial assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment rate or return	7.50%, net of investment expenses
Cost of living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of re-turn (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major as-set class included in the RHIC's target asset allocation as of July 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
International Equities	21%	6.95%
Domestic Fixed Income	40%	2.07%

Discount rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2019, and July 1, 2018, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<u>Governmental</u>			
Main System	\$ 147,055	\$ 115,214	\$ 87,958
<u>Business-Type Activities</u>			
Water	8,214	6,436	4,913
Sewer	10,287	8,059	6,153
Sanitation	20,891	16,368	12,496
<u>Component Unit</u>			
Airport	10,136	7,941	6,062

NOTE 12: 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, 2019, there is one issuance of MIDA Bonds outstanding with an original principal value issued of \$6,770,000. The aggregate principal amount currently payable for the MIDA bonds is \$1,587,890.

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, 2019, there were two CDBG loans outstanding and two Governor's Fund loans outstanding, with an aggregate principal amount payable of \$451,970.

NOTE 13: 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 \$5,092,039 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 \$1,181,572, and the Airport Authority also has three 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.

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.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 14: FUND DEFICITS

The following individual funds were in a deficit fund balance position at December 31, 2019:

Governmental Funds	
Capital Project Fund	(2,417,923)

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.

NOTE 15: 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, 2019:

Governmental Activities:

Project - City	Original Contract	Change Orders	Total Contract	Total Completed	Remaining Balance	Retainage
West Via Duct - City Share	\$ 1,626,397	\$ 15,567	\$ 1,641,964	\$ 1,141,958	\$ 500,006	\$ 22,124
SI 64-17-Frontage 2 & 20-CS	92,271	353	92,624	92,624	-	-
SI 67-18-5th Av & 14th St NE	85,454	1,330	86,784	81,884	4,900	848
SI 69-19-8th Ave & 9th St NE	367,975	25,916	393,891	393,891	-	-
SI 70-19-Walnut St & 8th Ave	107,793	-	107,793	100,998	6,795	2,070
2018 Curb Gutter & Sidewalk	64,729	(18,454)	46,275	46,275	-	-
2019 Curb Gutter & Sidewalk	64,729	(462)	64,267	64,267	-	-
Downtown District 01-18	360,000	24,700	384,700	384,687	13	-
Downtown District 01-18	1,257,803	24,360	1,282,163	1,216,679	65,485	24,830
Downtown District 01-18	123,809	-	123,809	89,514	34,295	-
Total	\$ 4,150,960	\$ 73,310	\$ 4,224,270	\$ 3,612,776	\$ 611,494	\$ 49,872

Component Unit Activities:

Project - Airport	Original Contract	Change Orders	Total Contract	Total Completed	Remaining Balance	Retainage
Airport #37	\$ 637,000	\$ -	\$ 637,000	\$ 439,070	\$ 197,930	\$ -
Airport #38	150,000	-	150,000	150,000	-	-
Total	\$ 787,000	\$ -	\$ 787,000	\$ 589,070	\$ 197,930	\$ -

NOTE 16: TAX INCENTIVES

The City of Devils Lake negotiates property tax incentive agreements on an individual basis with certain individuals and various commercial entities/businesses. The City has the following types of tax incentive agreements with various individuals and commercial entities at December 31, 2019.

The City of Devils Lake will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax incentive programs.

New and Expanding Business:

Businesses that are primarily sector industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40-57.1-03) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the City Commission will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on city services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the City?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

Exemption Criteria:

Amount of exemption is per the following schedule: Year 1-5 — 100%

2019 Reduction in Taxes – Due to Agreements with the City:

Total program reduction in taxes – \$7,475

Public Charity Exemption:

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Exemption criteria:

Property exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

2019 Reduction in Taxes – Due to Agreements with the City:

Total program reduction in taxes – \$52,566

Single Family Residence:

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria -- Up to seventy-five thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all the following conditions are met:

- a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.
- b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

2019 Reduction in Taxes – Due to Agreements with the City:

Total Program Reduction in taxes – \$890

Commercial and Residential

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city or county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city or county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

2019 Reduction in Taxes – Due to Agreements with the City

Total Program Reduction in taxes – \$4,379

NOTE 17: CONTINGENT LIABILITIES

The City is a defendant in several lawsuits incident to its operations. In the opinion of City Counsel and management, such claims against the City not covered by insurance would not materially affect the condition of the City.

NOTE 18: SUBSEQUENT EVENTS

On July 6, 2020, the City awarded the water main project to Kemper Construction in the amount of \$745,828.

On July 6, 2020, the City authorized the issuance of \$2,180,000 Refunding Improvement Bonds, Series 2020.

CITY OF DEVILS LAKE

Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,933,500	\$ 2,827,816	\$ 2,882,754	\$ 54,938
Licenses, Permits and Fees	92,000	67,971	67,971	-
Charges for Services	265,350	288,021	288,022	1
Intergovernmental	685,088	698,668	692,975	(5,693)
Fines, Forfeitures and Penalties	186,700	172,115	172,116	1
Interest	30,000	86,868	86,868	-
Miscellaneous	196,000	202,552	397,457	194,905
Total Revenues	\$ 4,388,638	\$ 4,344,011	\$ 4,588,163	\$ 244,152
EXPENDITURES				
Current				
General Government	\$ 2,187,147	\$ 2,324,209	\$ 2,340,874	\$ (16,665)
Public Safety	2,699,897	2,726,413	2,798,678	(72,265)
Public Works	708,471	613,957	613,957	-
Health and Welfare	30,733	29,239	29,239	-
Culture & Recreation	32,000	32,600	32,600	-
Conservation of Natural Resources	58,871	23,338	23,338	-
Other	19,000	23,294	23,294	-
Debt Service				
Principal	-	-	235,000	(235,000)
Interest	-	-	7,665	(7,665)
Total Expenditures	\$ 5,736,119	\$ 5,773,050	\$ 6,104,645	\$ (331,595)
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,347,481)	\$ (1,429,039)	\$ (1,516,482)	\$ (87,443)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 1,466,812	\$ 1,424,984	\$ 1,422,744	\$ (2,240)
Sale of Capital assets	-	-	1,500,000	1,500,000
Transfers Out	(121,516)	(119,008)	(30,077)	88,931
Total Other Financing Sources and Uses	\$ 1,345,296	\$ 1,305,976	\$ 2,892,667	\$ 1,586,691
Net Change in Fund Balances	\$ (2,185)	\$ (123,063)	\$ 1,376,185	\$ 1,499,248
Fund Balances - January 1	\$ 2,663,638	\$ 2,663,638	\$ 2,663,638	\$ -
Fund Balances - December 31	\$ 2,661,453	\$ 2,540,575	\$ 4,039,823	\$ 1,499,248

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

CITY OF DEVILS LAKE

Budgetary Comparison Schedule – Special Revenue Fund

For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 312,351	\$ 302,403	\$ 301,785	\$ (618)
Special Assessment Taxes	25,000	22,802	22,801	(1)
Sales Taxes	1,491,000	1,373,816	1,385,003	11,187
Charges for Services	48,355	54,227	54,228	1
Intergovernmental	409,498	443,680	441,585	(2,095)
Interest	10,000	-	46,450	46,450
Miscellaneous	28,450	100,964	96,287	(4,677)
Total Revenues	<u>\$ 2,324,654</u>	<u>\$ 2,297,892</u>	<u>\$ 2,348,139</u>	<u>\$ 50,247</u>
EXPENDITURES				
Current				
General Government	\$ 203,351	\$ 209,279	\$ 359,279	\$ (150,000)
Public Safety	-	420,084	420,084	-
Public Works	1,297,500	390,401	390,402	(1)
Economic Development	275,985	284,402	236,498	47,904
Culture and Recreation	211,438	214,219	214,221	(2)
Capital Outlay	-	199,116	199,117	(1)
Debt Service				
Principal	-	-	41,425	(41,425)
Interest	-	-	6,479	(6,479)
Total Expenditures	<u>\$ 1,988,274</u>	<u>\$ 1,717,501</u>	<u>\$ 1,867,505</u>	<u>\$ (150,004)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 336,380</u>	<u>\$ 580,391</u>	<u>\$ 480,634</u>	<u>\$ (99,757)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 645,887	\$ 704,789	\$ 704,790	\$ 1
Transfers Out	(821,947)	(1,710,677)	(1,560,677)	150,000
Total Other Financing Sources and Uses	<u>\$ (176,060)</u>	<u>\$ (1,005,888)</u>	<u>\$ (855,887)</u>	<u>\$ 150,001</u>
Net Change in Fund Balances	<u>\$ 160,320</u>	<u>\$ (425,497)</u>	<u>\$ (375,253)</u>	<u>\$ 50,244</u>
Fund Balances - January 1	<u>\$ 3,608,162</u>	<u>\$ 3,608,162</u>	<u>\$ 3,608,162</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 3,768,482</u></u>	<u><u>\$ 3,182,665</u></u>	<u><u>\$ 3,232,909</u></u>	<u><u>\$ 50,244</u></u>

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

CITY OF DEVILS LAKE

Schedule of Employer's Share of Net Pension Liability and Employer Contributions
For the Year Ended December 31, 2019

Schedule of Employer's Share of Net Pension Liability ND Public Employee's Retirement System Last 10 Fiscal Years

	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
City - Main System					
2019	0.110836%	\$ 1,299,075	\$ 1,152,883	112.68%	71.66%
2018	0.099564%	1,680,244	1,022,829	164.27%	62.80%
2017	0.083786%	1,346,719	855,328	157.45%	61.98%
2016	0.075080%	731,725	756,629	96.71%	70.46%
2015	0.064169%	436,322	571,648	76.33%	77.15%
2014	0.017529%	111,262	147,668	75.35%	77.70%

	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Law Enforcement Center					
2019	9.440391%	\$ (43,438)	\$ 1,215,556	-3.57%	104.84%
2018	14.435747%	140,068	1,078,185	12.99%	89.76%
2017	13.114622%	128,371	773,340	16.60%	87.23%
2016	16.454400%	10,539	760,439	1.39%	98.17%
2015	16.710450%	(19,557)	631,083	-3.10%	104.37%
2014	11.300387%	(1,508)	308,759	-0.49%	100.61%

	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Airport - Main System					
2019	0.006025%	\$ 70,620	\$ 62,673	112.68%	71.66%
2018	0.005388%	90,935	55,356	164.27%	62.80%
2017	0.005787%	93,013	59,075	157.45%	61.98%
2016	0.004093%	39,893	41,250	96.71%	70.46%
2015	0.003498%	23,788	31,165	76.33%	77.15%
2014	0.000956%	6,066	8,051	75.34%	77.70%

CITY OF DEVILS LAKE

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued
For the Year Ended December 31, 2019

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

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
City - Main System					
2019	\$ 83,936	\$ 81,976	\$ 1,960	\$ 1,152,883	7.11%
2018	75,336	71,965	3,371	1,022,829	7.04%
2017	62,021	62,426	(405)	855,328	7.30%
2016	54,779	49,827	4,951	756,629	6.59%
2015	43,421	41,058	2,363	571,648	7.18%
2014	10,514	10,514	-	147,668	7.12%

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
Law Enforcement Center					
2019	\$ 63,279	\$ 73,005	\$ (9,726)	\$ 1,215,556	6.01%
2018	68,079	66,345	1,734	1,078,185	6.15%
2017	65,226	66,627	(1,401)	773,340	8.62%
2016	61,155	61,054	101	760,439	8.03%
2015	51,705	56,615	(4,910)	631,083	8.97%
2014	24,485	24,485	-	308,759	7.93%

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
Airport - Main System					
2019	\$ 4,563	\$ 4,456	\$ 107	\$ 62,673	7.11%
2018	4,077	3,895	182	55,356	7.04%
2017	4,284	4,312	(28)	59,075	7.30%
2016	2,986	2,717	270	41,250	6.59%
2015	2,367	2,238	129	31,165	7.18%
2014	573	573	-	8,051	7.12%

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

CITY OF DEVILS LAKE

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions
For the Year Ended December 31, 2019

**Schedule of Employer's Share of Net OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years**

City	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.181871%	\$ 146,077	\$ 2,029,420	7.20%	71.66%
2018	0.169956%	133,852	1,859,684	7.20%	61.89%
2017	0.145928%	115,431	1,578,707	7.31%	59.78%

Airport	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.009887%	\$ 7,941	\$ 110,323	7.20%	71.66%
2018	0.009198%	7,244	100,647	7.20%	61.89%
2017	0.010079%	7,972	109,036	7.31%	59.78%

CITY OF DEVILS LAKE

Schedule of Employer's Share of Net OPEB Liability and Employer Contributions – Continued
For the Year Ended December 31, 2019

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

City	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2019	\$ 23,602	\$ 23,079	\$ 523	\$ 2,029,420	1.14%
2018	21,813	20,571	1,243	1,859,684	1.11%
2017	18,352	18,955	(603)	1,578,707	1.20%

Airport	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2019	\$ 1,283	\$ 1,255	\$ 28	\$ 110,323	1.14%
2018	1,181	1,113	67	100,647	1.11%
2017	1,267	1,309	(42)	109,036	1.20%

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

CITY OF DEVILS LAKE

Notes to the Required Supplementary Information
For the Year Ended December 31, 2019

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The governing board adopts an annual budget on a basis consistent with GAAP, and state law as outlined in various sections of North Dakota Century Code (NDCC) Chapter 40-40 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:

- The governing body of each municipality, annually or before September tenth, shall make an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year (NDCC 40-40-04).
- The preliminary budget must include a detailed breakdown of the estimated revenues and appropriations requested for the ensuing year for the general fund, each special revenue fund, and each debt service fund of the municipality. The revenue and expenditure items for the preceding year and estimates of the revenue and expenditures for the current year must be included for each fund to assist in determining the estimated revenues and appropriation requested for the ensuing year. The budget must also include any transfers in or out and the beginning and ending fund balance for each of the funds. The budget must be prepared on the same basis of accounting used by the municipality for its annual financial reports (NDCC 40-40-05).
- After the governing body has prepared the preliminary budget statement, the auditor of the municipality shall give notice that: the preliminary budget is on file in the office of the auditor and may be examined by anyone upon request; the governing body shall meet no later than October 7th at the time and place specified in the notice for the purpose of adopting the final budget and making the annual tax levy; and, the governing shall hold a public session at the time and place designated in the notice of the hearing at which any taxpayer may appear and discuss with the body any item of proposed expenditure or may object to any item or amount (NDCC 40-40-06).
- After the budget hearing, the final budget must be prepared on or before October 7th in accordance with provisions outlined in detail in NDCC 40-40-08.
- After completing the final budget on or before October 7th, the governing body shall proceed to make the annual tax levy in an amount sufficient to meet the expenses for the ensuing year as determined at the budget meeting (NDCC 40-40-09).
- Immediately after completion of the final budget and adoption of the annual tax levy by the governing body of a municipality in accordance with provisions, and in no case later than October 10th, the auditor of the municipality shall send to the county auditor a certified copy of the final budget (NDCC 40-40-10).
- No municipal expenditure may be made nor liability incurred, and no bill may be paid for any purposes in excess of the appropriation made therefor in the final budget. Expenditures made liabilities incurred, or warrants issued in excess of the appropriations are a joint and several liability of the members of the governing body (NDCC 40-40-15).
- At the end of the fiscal year, the balance to credit of each annual appropriation becomes a part of the general unappropriated balance in the municipal treasury, but no special appropriation lapses until the work for which it was made has been completed, the bills paid, and the accounts closed. The governing body of a city may elect, at the end of the fiscal year, to carry over the unencumbered cash balance in the general fund or other budgeted funds and designate the balances for subsequent years (NDCC 40-40-21).

NOTE 2: LEGAL COMPLIANCE - BUDGETS**Budget Amendments**

The board of City commissioners amended the City expenditures and transfers budget for various funds as follows:

	Expenditures/Transfers Out		
	Original Budget	Amendment	Amended Budget
General Fund	\$5,857,635	\$ 34,421	\$5,892,056
Special Revenue Fund	2,810,221	617,957	3,428,178

NOTE 3: SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

NOTE 4: CHANGES OF BENEFIT TERMS – PENSION AND OPEB**Pension**

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

OPEB

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

NOTE 5: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50% for Pension.
- The investment return assumption was lowered from 7.50% to 7.25% for OPEB.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

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

Board of City Commissioners
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, each major fund, the discretely presented component unit, and the aggregate remaining fund information of City of Devils Lake as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Devils Lake's basic financial statements, and have issued our report thereon dated September 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Devils Lake's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 21, 2020

CITY OF DEVILS LAKE

Summary of Auditor's Results

For the Year Ended December 31, 2019

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



GOVERNANCE COMMUNICATION

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit, each and the aggregate remaining fund information of City of Devils Lake, North Dakota, for the year ended December 31, 2019 which collectively comprise City of Devils Lake's basic financial statements, and have issued our report thereon dated September 21, 2020. 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 by the Uniform Guidance

As stated in our engagement letter dated June 19, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic 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, or fraud 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

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 grant agreements and other matters, 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.

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, 2019. 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.

CITY OF DEVILS LAKE

Governance Communication – Continued

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. Management has corrected all such misstatements. The schedules below list all adjustments provided by management or misstatements detected as a result of audit procedures that were corrected by management.

	Client Adjustment		Audit Adjustment		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
PRIMARY GOVERNMENT						
Government Wide Adjustments						
<u>Statement of Activities Adjustments</u>						
<i>To record capital contribution for capital projects</i>						
Capital Asset Addition - Expense	8,189,442		-		8,189,442	
Capital Contribution - Revenue		8,189,442		-		8,189,442
<u>Net Position Adjustments</u>						
<i>To reclass long term debt</i>						
Long Term Debt - Due Within 1 Year	-		23,479		23,479	
Long Term Debt - Due Outside 1 Year		-		23,479		23,479

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 September 21, 2020.

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 City Commissioners and management of City of Devils Lake, and 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.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
September 21, 2020



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505