



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, 2020

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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, 2020

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
Brian Hermanson	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, 2020, 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, 2020, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the financial statements.

The *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CITY OF DEVILS LAKE

Independent Auditor's Report - Continued

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2021 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
November 4, 2021

CITY OF DEVILS LAKE

Statement of Net Position

December 31, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport
ASSETS				
Cash and Investments	\$ 6,909,313	\$ 4,818,846	\$ 11,728,159	\$ -
Cash with Fiscal Agent	1,550,040	-	1,550,040	-
Utility Billings Receivable	16,517	343,480	359,997	-
Accounts Receivable	25,202	45,284	70,486	5,207
Intergovernmental Receivable	634,157	13,435	647,592	30,522
Due from County	7,880	-	7,880	-
Taxes Receivable	50,549	-	50,549	2,383
Loans Receivable	1,305,000	-	1,305,000	-
Certified Special Assessments Receivable	38,062	-	38,062	-
Uncertified Special Assessments Receivable	2,116,139	-	2,116,139	-
Capital Assets				
Nondepreciable	223,385,232	218,289	223,603,521	816,502
Depreciable, Net	36,868,904	21,322,827	58,191,731	19,933,854
Total Assets	\$272,906,995	\$ 26,762,161	\$299,669,156	\$20,788,468
DEFERRED OUTFLOWS OF RESOURCES				
Pensions & OPEB	\$ 2,726,960	\$ 556,341	\$ 3,283,301	\$ 140,098
Total Assets & Deferred Outflows of Resources	\$275,633,955	\$ 27,318,502	\$302,952,457	\$20,928,566
LIABILITIES				
Accounts Payable	\$ 86,773	\$ 93,086	\$ 179,859	\$ 26,411
Cash Overdraft Liability		-	-	80,827
Salaries and benefits payable	2,828	-	2,828	-
Retainage Payable	66,234	-	66,234	-
IBNR Payable	76,700	-	76,700	-
Interest Payable	55,588	-	55,588	-
Long-Term Liabilities				
Due Within One Year				
Long Term Debt	1,373,079	-	1,373,079	-
Compensated Absences Payable	141,218	60,439	201,657	14,308
Due After One Year				
Long Term Debt	11,999,101	-	11,999,101	-
Compensated Absences Payable	329,508	141,023	470,531	33,386
Net Pension & OPEB Liability	3,693,380	857,293	4,550,673	215,884
Total Liabilities	\$ 17,824,409	\$ 1,151,841	\$ 18,976,250	\$ 370,816
DEFERRED INFLOWS OF RESOURCES				
Pensions & OPEB	\$ 530,594	\$ 115,378	\$ 645,972	\$ 29,054
Total Liabilities & Deferred Inflows of Resources	\$ 18,355,003	\$ 1,267,219	\$ 19,622,222	\$ 399,870
NET POSITION				
Net Investment in Capital Assets	\$248,914,335	\$ 21,541,116	\$270,455,451	\$20,750,356
Restricted for				
Debt Service	2,160,066	-	2,160,066	-
General Government	1,947,373	-	1,947,373	-
Public Works	3,048,727	-	3,048,727	-
Emergencies	72,957	-	72,957	-
Economic/Job Development	464,244	-	464,244	-
Culture and Recreation	75,158	-	75,158	-
Conservation of Natural Resources	5,290	-	5,290	-
Unrestricted	590,802	4,510,167	5,100,969	(221,660)
Total Net Position	\$257,278,952	\$ 26,051,283	\$283,330,235	\$20,528,696

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, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit Airport
Primary Government:								
Governmental Activities								
General Government	\$ 2,573,091	\$ 202,580	\$ 86,845	\$ -	\$ (2,283,666)		\$ (2,283,666)	
Public Safety	3,797,736	282,366	1,492,140	789,974	(1,233,256)		(1,233,256)	
Public Works	3,087,526	-	350,958	4,687,805	1,951,237		1,951,237	
Economic Development	370,203	-	-	-	(370,203)		(370,203)	
Culture and Recreation	295,744	2,825	-	-	(292,919)		(292,919)	
Conserv. of Natural Resources	40,704	-	-	-	(40,704)		(40,704)	
Health and Welfare	29,662	-	-	-	(29,662)		(29,662)	
Other	36,304	-	-	-	(36,304)		(36,304)	
Interest & Fees on Long-Term	322,987	-	-	-	(322,987)		(322,987)	
Total Governmental Activities	\$ 10,553,957	\$ 487,771	\$ 1,929,943	\$ 5,477,779	\$ (2,658,464)		\$ (2,658,464)	
Business-Type Activities								
Water Operations	\$ 1,778,990	\$ 1,455,107	\$ -	\$ -	\$ -	\$ (323,883)	\$ (323,883)	
Water Source Replacement	-	-	-	-	-	-	-	
Sewer	977,238	884,855	-	-	-	(92,383)	-	
Sanitation	1,500,156	1,914,840	5,000	-	-	419,684	-	
Total Business-Type Activities	\$ 4,256,384	\$ 4,254,802	\$ 5,000	\$ -	\$ -	\$ 3,418	\$ (323,883)	
Total Primary Government	\$ 14,810,341	\$ 4,742,573	\$ 1,934,943	\$ 5,477,779	\$ (2,658,464)	\$ 3,418	\$ (2,982,347)	
Component Unit								
Airport	\$ 1,528,703	\$ 184,527	\$ 59,591	\$ 132,871				\$ (1,151,714)
General Revenues								
Property taxes					\$ 3,823,420	\$ -	\$ 3,823,420	\$ 198,715
Sales taxes					2,106,197	161,479	2,267,676	-
Non restricted grants and contributions					582,574	-	582,574	-
Unrestricted investment earnings					60,908	5,595	66,503	-
Loss on Sale of Capital Assets					(42,924)	-	(42,924)	-
Miscellaneous					249,384	19,509	268,893	63,145
Net Cash Transfers					1,649,939	(1,649,939)	-	-
Total General Revenues and Transfers					\$ 8,429,498	\$ (1,463,356)	\$ 6,966,142	\$ 261,860
Changes in Net Position					\$ 5,771,034	\$ (1,459,938)	\$ 4,311,096	\$ (889,854)
Net Position - January 1					\$ 252,438,947	\$ 27,511,221	\$ 279,950,168	\$ 21,418,550
Prior Period Adjustments					(931,029)	-	(931,029)	-
Net Position - January 1, as restated					\$ 251,507,918	\$ 27,511,221	\$ 279,019,139	\$ 21,418,550
Net Position - December 31					\$ 257,278,952	\$ 26,051,283	\$ 283,330,235	\$ 20,528,696

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

CITY OF DEVILS LAKE

Balance Sheet – Governmental Funds

December 31, 2020

	General Fund	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Governmental Funds
ASSETS					
Cash and Investments	\$ -	\$6,246,844	\$ -	\$ 322,290	\$ 6,569,134
Cash with Fiscal Agent	-	-	1,550,040	-	1,550,040
Accounts Receivable	19,842	5,360	-	-	25,202
Utility Billings Receivable	16,517	-	-	-	16,517
Intergovernmental Receivable	425,035	141,946	-	67,176	634,157
Due from County	6,610	969	-	301	7,880
Taxes Receivable	42,853	7,148	-	548	50,549
Special Assessments Receivable	-	-	-	38,062	38,062
Uncertified Special Assessments Receivable	-	-	-	2,116,139	2,116,139
Loans Receivable-Net	1,305,000	-	-	-	1,305,000
Due from Other Funds	3,264,398	-	-	1,771,751	5,036,149
Total Assets	<u>\$5,080,255</u>	<u>\$6,402,267</u>	<u>\$ 1,550,040</u>	<u>\$4,316,267</u>	<u>\$17,348,829</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 46,896	\$ 31,690	\$ 6,187	\$ 2,000	\$ 86,773
Due to Other Funds	-	-	5,036,149	-	5,036,149
Total Liabilities	<u>\$ 46,896</u>	<u>\$ 31,690</u>	<u>\$ 5,042,336</u>	<u>\$ 2,000</u>	<u>\$ 5,122,922</u>
Deferred Inflows of Resources					
Uncollected Taxes Receivable	\$ 42,853	\$ 7,148	\$ -	\$ 548	\$ 50,549
Uncollected Special Assessments Receivable	-	-	-	38,062	38,062
Uncertified Special Assessments Receivable	-	-	-	2,116,139	2,116,139
Total Deferred Inflows of Resources	<u>\$ 42,853</u>	<u>\$ 7,148</u>	<u>\$ -</u>	<u>\$2,154,749</u>	<u>\$ 2,204,750</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 89,749</u>	<u>\$ 38,838</u>	<u>\$ 5,042,336</u>	<u>\$2,156,749</u>	<u>\$ 7,327,672</u>
Fund Balances					
Non-Spendable					
Loans Receivable	\$1,305,000	\$ -	\$ -	\$ -	\$ 1,305,000
Restricted					
Debt Service	-	-	-	2,159,518	2,159,518
General Government	-	2,493,176	-	-	2,493,176
Public Works/Streets	-	3,215,473	-	-	3,215,473
Emergency	-	72,957	-	-	72,957
Economic Development	-	462,457	-	-	462,457
Culture & Recreation	-	81,513	-	-	81,513
Conservation of Natural Resources	-	5,290	-	-	5,290
Committed					
Asset Forfeiture Buy Fund	-	2,927	-	-	2,927
City Beautification	-	29,636	-	-	29,636
Unassigned					
General Fund	3,685,506	-	-	-	3,685,506
Negative Fund Balances	-	-	(3,492,295)	-	(3,492,295)
Total Fund Balances	<u>\$4,990,506</u>	<u>\$6,363,429</u>	<u>\$(3,492,296)</u>	<u>\$2,159,518</u>	<u>\$10,021,157</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$5,080,255</u>	<u>\$6,402,267</u>	<u>\$ 1,550,040</u>	<u>\$4,316,267</u>	<u>\$17,348,829</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, 2020

Total Fund Balances for Governmental Funds		\$ 10,021,157
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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.		260,254,136
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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	\$ 50,549	
Special Assessments	38,062	
Long-Term Uncertified Special Assessments	<u>2,116,139</u>	2,204,750

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.		260,651
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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	\$ (530,594)	
Deferred Outflows Related to Pensions and OPEB	<u>2,726,960</u>	2,196,366

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	\$ (13,372,180)	
Retainage Payable	(66,234)	
Interest Payable	(55,588)	
Compensated Absences	(470,726)	
Net Pension Liability and OPEB	<u>(3,693,380)</u>	<u>(17,658,108)</u>

Total Net Position of Governmental Activities		<u>\$257,278,952</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, 2020

	General Fund	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total Governmental Funds
REVENUES					
Taxes	\$3,006,107	\$ 316,704	\$ -	\$ 495,560	\$ 3,818,371
Special Assessment Taxes	-	19,721	58,023	573,746	651,490
Sales Taxes	-	1,298,802	-	807,395	2,106,197
Licenses, Permits and Fees	86,845	-	-	-	86,845
Charges for Services	277,610	68,403	-	-	346,013
Intergovernmental	2,049,971	2,875,699	-	-	4,925,670
Fines, Forfeitures and Penalties	141,760	-	-	-	141,760
Interest	31,699	29,209	-	-	60,908
Miscellaneous	230,418	14,779	1,461	2,726	249,384
Total Revenues	\$5,824,410	\$ 4,623,317	\$ 59,484	\$ 1,879,427	\$12,386,638
EXPENDITURES					
Current					
General Government	2,211,398	\$ 207,585	\$ -	\$ 7,194	\$ 2,426,177
Public Safety	3,142,338	11,288	-	-	3,153,626
Public Works	623,773	571,495	-	-	1,195,268
Economic Development	-	216,216	-	-	216,216
Culture and Recreation	45,281	191,846	-	-	237,127
Conserv. of Natural Resources	40,704	-	-	-	40,704
Health and Welfare	28,752	-	-	-	28,752
Other	36,304	-	-	-	36,304
ED - Bad Debt Expense	145,000	8,987	-	-	153,987
Capital Outlay	-	81,669	1,106,410	2,000	1,190,079
Debt Service					
Principal	-	43,082	-	3,654,974	3,698,056
Interest	-	4,822	-	333,568	338,390
Total Expenditures	\$6,273,550	\$ 1,336,990	\$ 1,106,410	\$ 3,997,736	\$12,714,686
Excess (Deficiency) of Revenues Over Expenditures	\$ (449,140)	\$ 3,286,327	\$ (1,046,926)	\$ (2,118,309)	\$ (328,048)
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	\$ -	\$ -	\$ -	\$ 2,180,000	\$ 2,180,000
Bond Issuance Costs	-	-	-	(33,944)	(33,944)
Bond Discount	-	-	-	63,480	63,480
Bond Premium	-	-	-	(27,250)	(27,250)
Sale of Capital Assets	-	-	-	2,000	2,000
Transfers In	1,434,580	1,002,487	956,231	673,435	4,066,733
Transfers Out	(34,757)	(1,158,294)	(983,677)	(240,066)	(2,416,794)
Total Other Financing Sources and Uses	\$1,399,823	\$ (155,807)	\$ (27,446)	\$ 2,617,655	\$ 3,834,225
Net Change in Fund Balances	\$ 950,683	\$ 3,130,520	\$ (1,074,372)	\$ 499,346	\$ 3,506,177
Fund Balance - January 1	\$4,039,823	\$ 3,232,909	\$ (2,417,924)	\$ 1,660,172	\$ 6,514,980
Fund Balance - December 31	\$4,990,506	\$ 6,363,429	\$ (3,492,296)	\$ 2,159,518	\$10,021,157

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, 2020

Net Change in *Fund Balances* - Total Governmental Funds **\$ 3,506,177**

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	\$ 1,492,466	
Capital Contribution	1,724,685	
Current Year Depreciation Expense	<u>(2,424,845)</u>	792,306

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	\$ (42,924)	
Proceeds from Sale of Capital Assets	<u>(2,000)</u>	(44,924)

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.

Decrease in Compensated Absences Liability	\$ 34,885	
Increase in Retainage Payable	(16,362)	
Decrease in Interest Payable	<u>13,117</u>	31,640

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.

Increase in Net Pension Liability and OPEB	\$ (2,596,994)	
Decrease in Deferred Inflows of Resources Related to Pensions and OPEB	138,394	
Increase in Deferred Outflows of Resources Related to Pensions and OPEB	<u>1,725,582</u>	(733,018)

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	\$ (2,180,000)	
Repayment of Long-Term Debt	<u>3,698,056</u>	1,518,056

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	\$ 5,049	
Increase in Special Assessment Receivable	4,870	
Increase in Uncertified Special Assessment Receivable	<u>596,734</u>	606,653

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

94,144

Change in Net Position of Governmental Activities

\$ 5,771,034

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, 2020

	Water Fund	Water Source Replacement Fund	Sewer Fund	Sanitation Fund	Other Enterprise Funds	Total	Activities - Internal Service Fund
ASSETS							
Current Assets							
Cash and Investments	\$ 764,347	\$2,869,481	\$ 557,191	\$ 627,827	\$ -	\$ 4,818,846	\$ 340,179
Utility Billings Receivable	79,212	-	78,635	185,600	33	343,480	-
Accounts Receivable	26,227	-	19,057	-	-	45,284	-
Intergovernmental Receivables	-	-	13,435	-	-	13,435	-
Total Current Assets	\$ 869,786	\$2,869,481	\$ 668,318	\$ 813,427	\$ 33	\$ 5,221,045	\$ 340,179
Noncurrent Assets:							
Capital Assets							
Nondepreciable	\$ 122,184	\$ -	\$ 17,151	\$ 78,954	\$ -	\$ 218,289	\$ -
Depreciable, Net	16,299,270	-	4,357,540	666,017	-	21,322,827	-
Total Noncurrent Assets	\$16,421,454	\$ -	\$4,374,691	\$ 744,971	\$ -	\$21,541,116	\$ -
Total Assets	\$17,291,240	\$2,869,481	\$5,043,009	\$1,558,398	\$ 33	\$26,762,161	\$ 340,179
DEFERRED OUTFLOWS OF RESOURCES							
Pensions & OPEB	\$ 112,981	\$ -	\$ 153,891	\$ 289,469	\$ -	\$ 556,341	\$ -
Total Assets & Deferred Outflows of Resources	\$17,404,221	\$2,869,481	\$5,196,900	\$1,847,867	\$ 33	\$27,318,502	\$ 340,179
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ 11,365	\$ -	\$ 14,910	\$ 66,811	\$ -	\$ 93,086	\$ -
Payroll Liabilities	-	-	-	-	-	-	2,828
Compensated Absences	19,099	-	13,592	27,748	-	60,439	-
IBNR Claims	-	-	-	-	-	-	76,700
Total Current Liabilities	\$ 30,464	\$ -	\$ 28,502	\$ 94,559	\$ -	\$ 153,525	\$ 79,528
Noncurrent Liabilities							
Compensated Absences	\$ 44,563	\$ -	\$ 31,715	\$ 64,745	\$ -	\$ 141,023	\$ -
Net Pension & OPEB Liability	174,097	-	237,139	446,057	-	857,293	-
Total Noncurrent Liabilities	\$ 218,660	\$ -	\$ 268,854	\$ 510,802	\$ -	\$ 998,316	\$ -
Total Liabilities	\$ 249,124	\$ -	\$ 297,356	\$ 605,361	\$ -	\$ 1,151,841	\$ 79,528
DEFERRED INFLOWS OF RESOURCES							
Pensions & OPEB	\$ 23,431	\$ -	\$ 31,915	\$ 60,032	\$ -	\$ 115,378	\$ -
Total Liabilities & Deferred Inflows of Resources	\$ 272,555	\$ -	\$ 329,271	\$ 665,393	\$ -	\$ 1,267,219	\$ 79,528
NET POSITION							
Net Investment in Capital Assets	\$16,421,454	\$ -	\$4,374,691	\$ 744,971	\$ -	\$21,541,116	\$ -
Unrestricted	710,212	2,869,481	492,938	437,503	33	4,510,167	260,651
Total Net Position	\$17,131,666	\$2,869,481	\$4,867,629	\$1,182,474	\$ 33	\$26,051,283	\$ 260,651

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, 2020

	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	\$ 1,455,107	\$ -	\$ 884,855	\$ 1,914,840	\$ -	\$ 4,254,802	\$ -
Contributions to Self Insurance	-	-	-	-	-	-	658,426
Total Operating Revenues	\$ 1,455,107	\$ -	\$ 884,855	\$ 1,914,840	\$ -	\$ 4,254,802	\$ 658,426
OPERATING EXPENSES							
Operating Expenses	\$ 657,679	\$ -	\$ 706,734	\$ 850,756	\$ -	\$ 2,215,169	\$ -
Warwick Wells	65,845	-	-	-	-	65,845	-
Inert Landfill	-	-	-	64,879	-	64,879	-
Transfer Station	-	-	-	478,797	-	478,797	-
Health Insurance	-	-	-	-	-	-	588,737
Airport Lot Rent	8,334	-	8,334	6,666	-	23,334	-
Depreciation	1,047,132	-	262,170	99,058	-	1,408,360	-
Total Operating Expenses	\$ 1,778,990	\$ -	\$ 977,238	\$ 1,500,156	\$ -	\$ 4,256,384	\$ 588,737
Operating Income (Loss)	\$ (323,883)	\$ -	\$ (92,383)	\$ 414,684	\$ -	\$ (1,582)	\$ 69,689
NONOPERATING REVENUES (EXPENSES)							
Investment Earnings	\$ 1,865	\$ -	\$ 1,865	\$ 1,865	\$ -	\$ 5,595	\$ 948
Intergovernmental	-	-	-	5,000	-	5,000	-
Sales and Use Tax	-	-	161,479	-	-	161,479	-
Other Nonoperating Revenues	6,348	-	9,600	3,561	-	19,509	23,507
Total Nonoperating Revenues (Expenses)	\$ 8,213	\$ -	\$ 172,944	\$ 10,426	\$ -	\$ 191,583	\$ 24,455
Income (Loss) Before Contributions and Transfers	\$ (315,670)	\$ -	\$ 80,561	\$ 425,110	\$ -	\$ 190,001	\$ 94,144
Transfers In	\$ 194,385	\$ 272,297	\$ 194,385	\$ -	\$ -	\$ 661,067	\$ -
Transfers Out	(707,978)	(625,775)	(398,275)	(578,978)	-	(2,311,006)	-
Change in Net Position	\$ (829,263)	\$ (353,478)	\$ (123,329)	\$ (153,868)	\$ -	\$ (1,459,938)	\$ 94,144
Net Position - January 1	\$ 17,960,929	\$ 3,222,959	\$ 4,990,958	\$ 1,336,342	\$ 33	\$ 27,511,221	\$ 166,507
Net Position - December 31	\$ 17,131,666	\$ 2,869,481	\$ 4,867,629	\$ 1,182,474	\$ 33	\$ 26,051,283	\$ 260,651

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, 2020

	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	\$ 1,419,112	\$ 27,647	\$ 870,295	\$ 1,885,252	\$ -	\$ 4,202,306	\$ 658,426
Payments to Suppliers	(455,624)	-	(508,739)	(791,415)	-	(1,755,778)	(609,884)
Payments to Employees	(261,623)	-	(169,234)	(516,789)	-	(947,646)	-
Other Receipts	6,348	-	9,600	3,561	-	19,509	23,507
Net Cash Provided by Operating Activities	\$ 708,213	\$ 27,647	\$ 201,922	\$ 580,609	\$ -	\$ 1,518,391	\$ 72,049
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers In	\$ 194,385	\$ 272,296	\$ 194,385	\$ -	\$ -	\$ 661,066	\$ -
Operating Grant	-	-	-	5,000	-	5,000	-
Sales Tax	-	-	164,610	-	-	164,610	-
Transfers Out	(707,978)	(625,775)	(398,275)	(578,978)	-	(2,311,006)	-
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (513,593)	\$ (353,479)	\$ (39,280)	\$ (573,978)	\$ -	\$ (1,480,330)	\$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases and Construction of Capital Assets	\$ (52,260)	\$ -	\$ (5,900)	\$ (24,628)	\$ -	\$ (82,788)	\$ -
Net Cash (Used) by Capital and Related Financing Activities	\$ (52,260)	\$ -	\$ (5,900)	\$ (24,628)	\$ -	\$ (82,788)	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest Income	\$ 1,865	\$ -	\$ 1,865	\$ 1,865	\$ -	\$ 5,595	\$ 948
Net Increase (Decrease) in Cash & Cash Equivalent	\$ 144,225	\$ (325,832)	\$ 158,607	\$ (16,132)	\$ -	\$ (39,132)	\$ 72,997
Cash and Cash Equivalents, January 1	\$ 620,122	\$ 3,195,313	\$ 398,584	\$ 643,959	\$ -	\$ 4,857,978	\$ 267,182
Cash and Cash Equivalents, December 31	\$ 764,347	\$ 2,869,481	\$ 557,191	\$ 627,827	\$ -	\$ 4,818,846	\$ 340,179
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities							
Operating Income (Loss)	\$ (323,883)	\$ -	\$ (92,383)	\$ 414,684	\$ -	\$ (1,582)	\$ 69,689
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities							
Depreciation Expense	\$ 1,047,131	\$ -	\$ 262,169	\$ 99,058	\$ -	\$ 1,408,358	\$ -
Non-operating revenues classified as cash inflows from operations	6,348	-	6,469	3,561	-	16,378	23,507
Change in Assets and Liabilities							
Utility Billings Receivable	(33,371)	27,647	(11,988)	(29,589)	-	(47,301)	-
Accounts Receivable	(2,622)	-	(2,572)	-	-	(5,194)	-
Intergovernmental Receivables	-	-	3,131	-	-	3,131	-
Accounts Payable	(20,395)	-	(19,972)	9,058	-	(31,309)	(34,977)
Compensated Absences	2,599	-	7,201	(175)	-	9,625	-
Net Pension and OPEB	32,406	-	49,867	84,012	-	166,285	-
IBNR Claims	-	-	-	-	-	-	13,830
Net Cash Provided by Operating Activities	\$ 708,213	\$ 27,647	\$ 201,922	\$ 580,609	\$ -	\$ 1,518,391	\$ 72,049

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

CITY OF DEVILS LAKE

Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 176,299
Accounts Receivable	<u>11,250</u>
 Total Assets	 <u><u>\$ 187,549</u></u>
 LIABILITIES & DERRERED INFLOWS OF RESOURCES	
Liabilities	
Funds Held for Other Governmental Units	<u>\$ 187,549</u>
 Total Liabilities	 <u><u>\$ 187,549</u></u>
 Total Liabilities and Deferred Inflows of Resource	 <u><u>\$ 187,549</u></u>

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

CITY OF DEVILS LAKE

Statement of Changes Fiduciary Net Position – Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
ADDITIONS	
Intergovernmental Revenue	<u>\$ 201,356</u>
DEDUCTIONS	
Miscellaneous Disbursements	<u>\$ 201,356</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ -</u>
Net Position - Beginning	<u>\$ -</u>
Net Position - Ending	<u><u>\$ -</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, 2020

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

Fiduciary 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, 2020.

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: PRIOR PERIOD ADJUSTMENTS

Primary Government

Net position of the City as of January 1, 2020 has been restated for net capital asset adjustments as shown below. The results of the adjustment decreased the beginning net position of the City.

City	Amounts
Beginning Net Position, as Previously Reported	\$252,438,947
Prior Period Adjustments	
Capital Assets, Net	(931,029)
Net Position January 1, Restated	<u>\$251,507,918</u>

NOTE 3: DEPOSITSCustodial 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, 2020, the City's carrying amount of deposits was \$13,372,911 and the bank balances totaled \$13,503,314. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. \$1,550,016 was 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, 2020, the city held certificates of deposit totaling \$2,178,552.

NOTE 4: CASH WITH FISCAL AGENT

For the Embankment Raise Project, monies have been held with fiscal agents during the construction of the infrastructure. The monies have only one purpose and that is to fund the project. The entities that have held the designated funds include the Bank of North Dakota (\$1,550,016), and Corp of Engineers (\$25).

NOTE 5: 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.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 6: 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, 2020.

Name/Business	Balance 1-Jan	New Loans	Payments	Balance 31-Dec	Allowance	Net Balance 31-Dec
Goldade Processing	\$ 8,987	\$ -	\$ 0	\$ 8,987	\$ 8,987	\$ 0
CoJack Snack and Pack LLC	\$1,450,000	\$ -	\$ 0	\$1,450,000	\$ 145,000	\$1,305,000

NOTE 7: DUE TO/FROM OTHER FUNDS

Due to/from other funds represents the amount of negative cash reported in various capital projects funds totaling \$5,036,149 covered by the General fund (\$3,264,398) and the Debt Service fund (\$1,771,751).

NOTE 8: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2020:

Primary Government

Governmental Activities	Bal. Jan 1 Restated	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized					
Land	\$ 3,567,923	\$ 9,500	\$ 3,334	\$ -	\$ 3,574,089
Construction in Progress	218,791,362	2,264,263	118	(1,244,363)	219,811,144
Total Capital Assets, Not Being Depreciated or Amortized	\$ 222,359,285	\$ 2,273,763	\$ 3,452	\$ (1,244,363)	\$ 223,385,233
Capital Assets Being Depreciated					
Buildings	\$ 3,530,607	\$ 6,370	\$ -	\$ -	\$ 3,536,977
Equipment	5,474,327	921,476	99,995	-	6,295,808
Infrastructure	77,173,875	15,542	-	1,244,363	78,433,780
Total Capital Assets, Being Depreciated	\$ 86,178,809	\$ 943,388	\$ 99,995	\$ 1,244,363	\$ 88,266,565
Less Accumulated Depreciation					
Buildings	\$ 2,669,513	\$ 74,387	\$ -	\$ -	\$ 2,743,900
Vehicles & Equipment	4,060,898	329,511	58,524	-	4,331,885
Infrastructure	42,300,927	2,020,949	-	-	44,321,876
Total Accumulated Depreciation	\$ 49,031,338	\$ 2,424,847	\$ 58,524	\$ -	\$ 51,397,661
Total Capital Assets Being Depreciated, Net	\$ 37,147,471	\$ (1,481,459)	\$ 41,471	\$ 1,244,363	\$ 36,868,904
Capital Assets, Net	\$ 259,506,756	\$ 792,304	\$ 44,923	\$ -	\$ 260,254,137

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

	Amounts
General Government	\$ 34,189
Public Safety	240,701
Public Works & Infrastructure	2,108,695
Culture and Recreation	40,352
Health/Welfare	910
Total	\$ 2,424,847

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Business-Type Activities

Business-Type Activities - Water Fund	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized					
Land	\$ 122,184	\$ -	\$ -	\$ -	\$ 122,184
Capital Assets Being Depreciated					
Buildings	\$ 346,660	\$ -	\$ -	\$ -	\$ 346,660
Equipment	634,284	52,260	-	-	686,544
Infrastructure	27,857,013	-	-	-	27,857,013
Total Capital Assets, Being Depreciated	\$ 28,837,957	\$ 52,260	\$ -	\$ -	\$ 28,890,217
Less Accumulated Depreciation					
Buildings	\$ 346,660	\$ -	\$ -	\$ -	\$ 346,660
Vehicles & Equipment	464,713	40,919	-	-	505,632
Infrastructure	10,732,443	1,006,212	-	-	11,738,655
Total Accumulated Depreciation	\$ 11,543,816	\$ 1,047,131	\$ -	\$ -	\$ 12,590,947
Total Capital Assets Being Depreciated, Net	\$ 17,294,141	\$ (994,871)	\$ -	\$ -	\$ 16,299,270
Capital Assets, Net	\$ 17,416,325	\$ (994,871)	\$ -	\$ -	\$ 16,421,454

Business-Type Activities - Sewer Fund	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized					
Land	\$ 17,151	\$ -	\$ -	\$ -	\$ 17,151
Capital Assets Being Depreciated					
Buildings	\$ 1,360,772	\$ -	\$ -	\$ -	\$ 1,360,772
Equipment	1,219,372	5,900	-	-	1,225,272
Infrastructure	12,760,563	-	-	-	12,760,563
Total Capital Assets, Being Depreciated	\$ 15,340,707	\$ 5,900	\$ -	\$ -	\$ 15,346,607
Less Accumulated Depreciation					
Buildings	\$ 1,268,354	\$ 19,243	\$ -	\$ -	\$ 1,287,597
Vehicles & Equipment	1,031,961	45,992	-	-	1,077,953
Infrastructure	8,426,582	196,935	-	-	8,623,517
Total Accumulated Depreciation	\$ 10,726,897	\$ 262,170	\$ -	\$ -	\$ 10,989,067
Total Capital Assets Being Depreciated, Net	\$ 4,613,810	\$ (256,270)	\$ -	\$ -	\$ 4,357,540
Capital Assets, Net	\$ 4,630,961	\$ (256,270)	\$ -	\$ -	\$ 4,374,691

Business-Type Activities - Sanitation Fund	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized					
Land	\$ 78,954	\$ -	\$ -	\$ -	\$ 78,954
Capital Assets Being Depreciated					
Buildings	\$ 393,094	\$ 6,328	\$ -	\$ -	\$ 399,422
Equipment	1,784,961	18,300	-	-	1,803,261
Infrastructure	496,666	-	-	-	496,666
Total Capital Assets, Being Depreciated	\$ 2,674,721	\$ 24,628	\$ -	\$ -	\$ 2,699,349
Less Accumulated Depreciation					
Buildings	\$ 344,594	\$ 5,166	\$ -	\$ -	\$ 349,760
Vehicles & Equipment	1,468,765	74,083	-	-	1,542,848
Infrastructure	120,913	19,809	-	-	140,722
Total Accumulated Depreciation	\$ 1,934,272	\$ 99,058	\$ -	\$ -	\$ 2,033,330
Total Capital Assets Being Depreciated, Net	\$ 740,449	\$ (74,430)	\$ -	\$ -	\$ 666,019
Capital Assets, Net	\$ 819,403	\$ (74,430)	\$ -	\$ -	\$ 744,973

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Business-Type Activities - Total	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized					
Land	\$ 218,289	\$ -	\$ -	\$ -	\$ 218,289
Capital Assets Being Depreciated					
Buildings	\$ 2,100,526	\$ 6,328	\$ -	\$ -	\$ 2,106,854
Equipment	3,638,617	76,460	-	-	3,715,077
Infrastructure	41,114,242	-	-	-	41,114,242
Total Capital Assets, Being Depreciated	\$ 46,853,385	\$ 82,788	\$ -	\$ -	\$ 46,936,173
Less Accumulated Depreciation					
Buildings	\$ 1,959,608	\$ 24,409	\$ -	\$ -	\$ 1,984,017
Vehicles & Equipment	2,965,439	160,994	-	-	3,126,433
Infrastructure	19,279,938	1,222,956	-	-	20,502,894
Total Accumulated Depreciation	\$ 24,204,985	\$ 1,408,359	\$ -	\$ -	\$ 25,613,344
Total Capital Assets Being Depreciated, Net	\$ 22,648,400	\$ (1,325,571)	\$ -	\$ -	\$ 21,322,829
Capital Assets, Net	\$ 22,866,689	\$ (1,325,571)	\$ -	\$ -	\$ 21,541,118

Depreciation expense of \$1,047,131, \$262,170, and \$99,058 was charged to the water fund, sewer fund, and sanitation fund, respectively, for a total of \$1,408,359 to business-type activities.

Discretely Presented Component Unit

Airport - Component Unit	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized					
Land	\$ 722,089	\$ -	\$ -	\$ -	\$ 722,089
Construction in Progress	51,759	42,654	-	-	94,413
Total Capital Assets, Not Being Depreciated or Amortized	\$ 773,848	\$ 42,654	\$ -	\$ -	\$ 816,502
Capital Assets Being Depreciated					
Buildings	\$ 2,007,740	\$ -	\$ -	\$ -	\$ 2,007,740
Equipment	2,436,771	231,192	45,871	-	2,622,092
Infrastructure	25,210,822	-	-	-	25,210,822
Total Capital Assets, Being Depreciated	\$ 29,655,333	\$ 231,192	\$ 45,871	\$ -	\$ 29,840,654
Less Accumulated Depreciation					
Buildings	\$ 491,428	\$ 40,155	\$ -	\$ -	\$ 531,583
Vehicles & Equipment	1,555,925	137,188	5,352	-	1,687,761
Infrastructure	6,958,927	728,528	-	-	7,687,455
Total Accumulated Depreciation	\$ 9,006,280	\$ 905,871	\$ 5,352	\$ -	\$ 9,906,799
Total Capital Assets Being Depreciated, Net	\$ 20,649,053	\$ (674,679)	\$ 40,519	\$ -	\$ 19,933,855
Capital Assets, Net	\$ 21,422,901	\$ (632,025)	\$ 40,519	\$ -	\$ 20,750,357

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 9: 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, 2020:

	Transfers In	Transfers Out
Governmental Funds		
Major Funds		
General Fund	\$ 1,434,580	\$ 34,757
Special Revenue Fund	1,002,487	1,158,294
Capital Project Fund	956,231	983,677
Debt Service Fund	673,435	240,065
Business-Type Funds		
Major Funds		
Water Fund	194,385	707,978
Water Source Replacement	272,296	625,775
Sewer Fund	194,385	398,275
Sanitation Fund	-	578,978
Total Transfers	\$ 4,727,799	\$ 4,727,799

NOTE 10: LONG-TERM LIABILITIES

During the year ended December 31, 2020, 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	\$ 6,400,812	\$ -	\$ 559,929	\$ 5,840,883	\$ 527,096
Special Assessment Bonds	8,375,645	2,180,000	3,101,811	7,453,834	801,177
Contract for Deed	120,544	-	43,082	77,462	44,805
Total Long Term Debt	\$ 14,897,001	\$2,180,000	\$3,704,822	\$13,372,179	\$1,373,078
Compensated Absences *	\$ 505,611	\$ -	\$ 34,885	\$ 470,726	\$ 141,218
Net Pension & OPEB Liability	1,096,386	2,596,994	-	3,693,380	-
Total Governmental Activities	\$ 16,498,998	\$4,776,994	\$3,739,707	\$17,536,285	\$1,514,296

Business-Type Activities

Business-Type Activities Water Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 61,063	\$ 2,599	\$ -	\$ 63,662	\$ 19,099
Net Pension & OPEB Liability	63,669	110,429	-	174,098	-
Total Business Activities	\$ 124,732	\$ 113,028	\$ -	\$ 237,760	\$ 19,099

Business-Type Activities Sewer Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 38,107	\$ 7,201	\$ -	\$ 45,308	\$ 13,592
Net Pension & OPEB Liability	79,733	157,406	-	237,139	-
Total Business Activities	\$ 117,840	\$ 164,607	\$ -	\$ 282,447	\$ 13,592

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Business-Type Activities Sanitation Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 92,667	\$ -	\$ 175	\$ 92,492	\$ 27,748
Net Pension & OPEB Liability	161,927	284,130	-	446,057	-
Total Business Activities	\$ 254,594	\$ 284,130	\$ 175	\$ 538,549	\$ 27,748

Business-Type Activities Total	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 191,837	\$ 9,800	\$ 175	\$ 201,462	\$ 60,439
Net Pension & OPEB Liability	305,329	551,965	-	857,294	-
Total Business Activities	\$ 497,166	\$ 561,765	\$ 175	\$ 1,058,756	\$ 60,439

* - 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 *	\$ 45,420	\$ 2,274	\$ -	\$ 47,694	\$ 14,308
Net Pension & OPEB Liability	78,561	137,323	-	215,884	-
Total Airport	\$ 123,981	\$ 139,597	\$ -	\$ 263,578	\$ 14,308

* - 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, 2020, are as follows:

Primary Government

Year Ending Dec. 31	Sales Tax Bonds		Spec. Assmt. Bonds		Contract for Deed	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 527,096	\$ 135,870	\$ 801,177	\$ 171,804	\$ 44,805	\$ 3,098
2022	540,455	124,568	798,713	154,308	32,656	1,306
2023	553,881	112,971	721,300	137,296	-	-
2024	567,376	99,878	738,939	120,482	-	-
2025	580,941	86,775	751,631	102,965	-	-
2026-2030	2,535,745	238,700	3,100,472	256,020	-	-
2031-2035	535,388	18,172	541,602	16,089	-	-
Drawdowns	-	-	-	-	-	-
Totals	\$ 5,840,882	\$ 816,934	\$ 7,453,834	\$ 958,964	\$ 77,461	\$ 4,404

NOTE 11: 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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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 provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

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) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members first enrolled in the plan after December 31, 2019 the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 with three or more years of service.

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

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System or Law Enforcement System, a death benefit equal to the value of the member's accumulated contributions,

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

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

Refunds of Member Account Balance

Main System

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

Law Enforcement System

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Plan	Member Contribution Rate	Employer Contribution Rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard (effective 8/1/2015)*	6.00%	9.81%
Law Enforcement with previous service	5.50%	7.93%

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

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

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

At December 31, 2020, the City of Devils Lake reported a liability of \$4,388,590.16 (main system - \$3,804,712.16; law enforcement system – \$583,878.00), and its component unit (airport) reported a liability of \$207,062.84 for their proportionate shares of net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City's proportion for the Main System was .120937 percent, which was an increase of .010101 percent from its proportion measured as of June 30, 2019. At June 30, 2020, the airport's proportion for the Main System was .006582 percent, which was an increase of .000557 percent from its proportion measured as of June 30, 2019.

At June 30, 2020, the City's proportion for the Law Enforcement System was 9.145127 percent, which was a decrease of 0.0295264 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the City recognized total pension expense of \$837,753.18 for the main system, and \$194,363.00 for the law enforcement system. For the year ended December 31, 2020, the Airport recognized pension expense of \$45,592.82.

At December 31, 2020, 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	\$ 11,606	\$ 151,123
Changes of Assumptions	1,598,781	264,318
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	96,258	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	218,885	-
District Contributions Subsequent to the Measurement Date	44,094	-
Total Main System - Governmental	\$ 1,969,624	\$ 415,441

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Law Enforcement - Governmental Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 22,020	\$ 39,356
Changes of Assumptions	598,897	56,971
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	37,332	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	47,720	15,783
District Contributions Subsequent to the Measurement Date	3,081	-
Total Law Enforcement - Governmental	\$ 709,050	\$ 112,110

Main System - Business-Type Activities - Water	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 650	\$ 8,461
Changes of Assumptions	89,514	14,799
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	5,389	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	12,255	-
District Contributions Subsequent to the Measurement Date	2,469	-
Total Main System - Business-Type Activities - Water	\$ 110,277	\$ 23,260

Main System - Business-Type Activities - Sewer	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 885	\$ 11,525
Changes of Assumptions	121,927	20,158
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	7,341	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	16,693	-
District Contributions Subsequent to the Measurement Date	3,363	-
Total Main System - Business-Type Activities - Sewer	\$ 150,209	\$ 31,683

Main System - Business-Type Activities - Sanitation	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,665	\$ 21,679
Changes of Assumptions	229,344	37,916
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	13,808	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	31,399	-
District Contributions Subsequent to the Measurement Date	6,325	-
Total Main System - Business-Type Activities - Sanitation	\$ 282,542	\$ 59,595

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Main System - Airport (Component Unit)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 806	\$ 10,492
Changes of Assumptions	110,999	18,351
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	6,683	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	15,197	-
District Contributions Subsequent to the Measurement Date	3,061	-
Total Main System - Airport	\$ 136,745	\$ 28,843

\$44,094 (Governmental – Main System), \$3,081 (Governmental – Law Enforcement System), \$2,469 (Water), \$3,363 (Sewer), \$6,325 (Sanitation), and \$3,061 (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, 2021 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			Airport
	Main System	Law Enforcement	Water	Sewer	Sanitation	
2021	\$ 464,659	\$ 167,113	\$ 26,016	\$ 35,436	\$ 66,655	\$ 32,260
2022	398,266	115,624	22,298	30,373	57,131	27,650
2023	318,704	116,117	17,844	24,305	45,718	22,127
2024	328,463	119,895	18,390	25,049	47,118	22,804
Thereafter	-	75,110	-	-	-	-

Actuarial Assumptions

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

Main and Law Enforcement System

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

Main and Law Enforcement System

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

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

Discount Rate (Main and Law Enforcement Systems)

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 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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 4.64 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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
<u>Governmental</u>			
Main System	\$ 3,869,503	\$ 2,982,448	\$ 2,256,622
Law Enforcement System	932,768	583,878	311,082
<u>Business-Type Activities</u>			
Water	216,649	166,984	126,346
Sewer	295,098	227,449	172,096
Sanitation	555,078	427,831	323,711
<u>Component Unit</u>			
Airport	268,648	207,063	156,671

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

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

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

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, 2020, the City reported a liability of \$162,082, and its component unit (Airport) reported a liability of \$8,821 for their proportionate shares of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the City's proportion was

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

.192680 percent, and the Airport's proportion was .010486 percent, which were increases of .010809 percent and .009887 percent respectively from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020 the City recognized OPEB expense of \$28,421, and the Airport recognized OPEB expense of \$1,547. At December 31, 2020 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	\$ 2,821	\$ 3,046
Changes of Assumptions	17,036	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	4,369	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	17,001	-
District Contributions Subsequent to the Measurement Date	7,060	-
Total Governmental	\$ 48,286	\$ 3,046

Main System - Business-Type - Water	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 158	\$ 171
Changes of Assumptions	954	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	245	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	952	-
District Contributions Subsequent to the Measurement Date	395	-
Total Business-Type - Water	\$ 2,704	\$ 171

Main System - Business-Type - Sewer	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 215	\$ 232
Changes of Assumptions	1,299	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	333	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	1,297	-
District Contributions Subsequent to the Measurement Date	538	-
Total Business-Type - Sewer	\$ 3,682	\$ 232

Main System - Business-Type - Sanitation	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 405	\$ 437
Changes of Assumptions	2,444	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	627	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	2,439	-
District Contributions Subsequent to the Measurement Date	1,013	-
Total - Business-Type - Sanitation	\$ 6,927	\$ 437

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Main System - Airport (Component Unit)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 196	\$ 211
Changes of Assumptions	1,183	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	303	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,180	-
District Contributions Subsequent to the Measurement Date	490	-
Total Airport	\$ 3,352	\$ 211

\$7,060 (Governmental – Main System), \$395 (Water), \$538 (Sewer), \$1,013 (Sanitation), and \$490 (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, 2021.

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			Airport
		Water	Sewer	Sanitation	
2021	\$ 8,083	\$ 453	\$ 616	\$ 1,159	\$ 561
2022	9,212	516	703	1,321	640
2023	9,005	504	687	1,292	625
2024	7,694	431	587	1,104	534
2025	3,820	214	291	548	265
2026	367	21	28	53	25
2027	-	-	-	-	-

Actuarial assumptions

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

Inflation	2.25%
Salary Increases	Not applicable
Investment rate or return	6.50%, net of investment expenses
Cost of living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
International Equities	40%	1.15%
U.S. High Yield	21%	6.45%

Discount rate

The discount rate used to measure the total OPEB liability was 6.50%. 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, 2018, and July 1, 2017, 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, 2020, calculated using the discount rate of 6.50%, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
<u>Governmental</u>			
Main System	\$ 166,633	\$ 127,053	\$ 93,583
<u>Business-Type Activities</u>			
Water	9,330	7,114	5,240
Sewer	12,708	9,689	7,137
Sanitation	23,903	18,226	13,424
<u>Component Unit</u>			
Airport	11,569	8,821	6,497

NOTE 13: 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, 2020, 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 \$1,174,012.

Community Development Block Grants

From time to time, the city has obtained Community Development Block Grants (CBDG) 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, 2020, there were two CDBG loans outstanding and two Governor's Fund loans outstanding, with an aggregate principal amount payable of \$451,970.

NOTE 14: 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, automobile, and public assets insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile coverage and to \$4,862,985 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 \$1,182,193, 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.

NOTE 15: FUND DEFICITS

The following individual funds were in a deficit fund balance position at December 31, 2020:

Governmental Funds	
Capital Project Fund	\$ (3,492,295)

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 16: 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, 2020:

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	\$1,143,167	\$ 498,797	\$ 22,148
SI 70-19 Walnut St & 8th Ave	107,793	-	107,793	102,033	5,760	1,035
SI 75-20 - Schwan Ave	201,745	-	201,745	172,317	29,428	3,517
2020 Curb Fetter & Sidewalk	39,429	(13,708)	25,721	25,721	-	-
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	1,328,547	(46,384)	25,156
Downtown District 01-18	123,809	-	123,809	115,186	8,623	-
WM Impr #25-20 - 8th St NE	745,828	146,256	892,084	704,564	187,520	14,379
Total	\$4,462,804	\$197,175	\$4,659,979	\$3,976,222	\$ 683,757	\$ 66,235

Component Unit Activities:

Project - Airport	Original Contract	Change Orders	Total Contract	Total Completed	Remaining Balance	Retainage
West Via Duct - City Share	\$ 637,000	\$(196,258)	\$ 440,742	\$ 440,742	\$ -	\$ -

NOTE 17: 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, 2020.

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
- 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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Exemption Criteria:

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

2020 Reduction in Taxes – Due to Agreements with the City:

Total program reduction in taxes – \$9,419

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.

2020 Reduction in Taxes – Due to Agreements with the City:

Total program reduction in taxes – \$53,414

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.

2020 Reduction in Taxes – Due to Agreements with the City:

Total Program Reduction in taxes – \$905

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

CITY OF DEVILS LAKENotes to the Financial Statements – Continued

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.

2020 Reduction in Taxes – Due to Agreements with the City

Total Program Reduction in taxes – \$5,299

NOTE 18: 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 19: SUBSEQUENT EVENTS

On March 15, 2021, the City authorized the issuance of \$3,420,000 Refunding Improvement Bonds, Series 2021.

CITY OF DEVILS LAKE

Budgetary Comparison Schedule – General Fund

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 3,078,000	\$ 3,031,730	\$3,006,107	\$ (25,623)
Licenses, Permits and Fees	74,000	86,845	86,845	-
Charges for Services	281,350	277,610	277,610	-
Intergovernmental	785,088	2,074,857	2,049,971	(24,886)
Fines, Forfeitures and Penalties	176,700	141,760	141,760	-
Interest	70,000	31,699	31,699	-
Miscellaneous	169,000	228,460	230,418	1,958
Total Revenues	\$ 4,634,138	\$ 5,872,961	\$5,824,410	\$ (48,551)
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,251,340	\$ 2,194,733	\$2,211,398	\$ (16,665)
Public Safety	2,975,631	3,072,563	3,142,338	(69,775)
Public Works	709,754	624,131	623,773	358
Health and Welfare	31,271	28,752	28,752	-
Culture & Recreation	33,406	45,281	45,281	-
Conservation of Natural Resources	51,871	40,706	40,704	2
Other	20,000	36,304	36,304	-
ED - Bad Debt Expense	-	-	145,000	(145,000)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	\$ 6,073,273	\$ 6,042,470	\$6,273,550	\$ (231,080)
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,439,135)	\$ (169,509)	\$ (449,140)	\$ (279,631)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,567,335	\$ 1,436,579	\$1,434,580	\$ (1,999)
Transfers Out	(126,751)	(121,423)	(34,757)	86,666
Total Other Financing Sources and Uses	\$ 1,440,584	\$ 1,315,156	\$1,399,823	\$ 84,667
Net Change in Fund Balances	\$ 1,449	\$ 1,145,647	\$ 950,683	\$ (194,964)
Fund Balances - January 1	\$ 4,039,823	\$ 4,039,823	\$4,039,823	\$ -
Fund Balances - December 31	\$ 4,041,272	\$ 5,185,470	\$4,990,506	\$ (194,964)

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 318,790	\$ 316,030	\$ 316,704	\$ 674
Special Assessment Taxes	25,000	19,721	19,721	-
Sales Taxes	1,145,100	1,321,764	1,298,802	(22,962)
Charges for Services	49,605	68,402	68,403	1
Intergovernmental	409,498	2,875,486	2,875,699	213
Interest	8,000	27,291	29,209	1,918
Miscellaneous	29,400	16,698	14,779	(1,919)
Total Revenues	<u>\$ 1,985,393</u>	<u>\$ 4,645,392</u>	<u>\$ 4,623,317</u>	<u>\$ (22,075)</u>
EXPENDITURES				
Current				
General Government	\$ 197,084	\$ 190,236	\$ 207,585	\$ (17,349)
Public Safety	-	11,288	11,288	-
Public Works	779,300	571,720	571,495	225
Economic Development	306,542	264,121	225,203	38,918
Culture and Recreation	213,986	191,847	191,846	1
Capital Outlay	-	81,668	81,669	(1)
Debt Service				
Principal	-	-	43,082	(43,082)
Interest	-	-	4,822	(4,822)
Total Expenditures	<u>\$ 1,496,912</u>	<u>\$ 1,310,880</u>	<u>\$ 1,336,990</u>	<u>\$ (26,110)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 488,481</u>	<u>\$ 3,334,512</u>	<u>\$ 3,286,327</u>	<u>\$ (48,185)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 690,787	\$ 1,002,487	\$ 1,002,487	\$ -
Transfers Out	(1,007,127)	(1,175,647)	(1,158,294)	17,353
Total Other Financing Sources and Uses	<u>\$ (316,340)</u>	<u>\$ (173,160)</u>	<u>\$ (155,807)</u>	<u>\$ 17,353</u>
Net Change in Fund Balances	<u>\$ 172,141</u>	<u>\$ 3,161,352</u>	<u>\$ 3,130,520</u>	<u>\$ (30,832)</u>
Fund Balances - January 1	<u>\$ 3,232,909</u>	<u>\$ 3,232,909</u>	<u>\$ 3,232,909</u>	<u>\$ -</u>
Fund Balances - December 31	<u><u>\$ 3,405,050</u></u>	<u><u>\$ 6,394,261</u></u>	<u><u>\$ 6,363,429</u></u>	<u><u>\$ (30,832)</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, 2020

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					
2020	0.120937%	\$ 3,804,712	\$ 1,334,082	285.19%	48.91%
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					
2020	9.145127%	\$ 583,878	\$ 989,934	58.98%	65.83%
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					
2020	0.006582%	\$ 207,063	\$ 72,604	285.19%	48.91%
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, 2020

**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					
2020	\$ 94,465	\$ 95,389	\$ (924)	\$ 1,334,082	7.15%
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					
2020	\$ 89,413	\$ 79,718	\$ 9,695	\$ 989,934	8.05%
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					
2020	\$ 5,141	\$ 5,191	\$ (50)	\$ 72,604	7.15%
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 OPEB Liability and Employer Contributions
For the Year Ended December 31, 2020

**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
2020	0.192680%	\$ 162,082	\$ 2,196,495	7.38%	48.91%
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
2020	0.010486%	\$ 8,821	\$ 119,539	7.38%	48.91%
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 OPEB Liability and Employer Contributions – Continued
For the Year Ended December 31, 2020

**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
2020	\$ 25,805	\$ 25,775	\$ 29	\$ 2,196,495	1.17%
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
2020	\$ 1,404	\$ 1,403	\$ 2	\$ 119,539	1.17%
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, 2020

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	\$ 6,200,024	\$ (36,131)	\$ 6,163,893
Special Revenue Fund	2,504,039	(17,512)	2,486,527

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 7.00 percent to 6.50 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, 2019.

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, 2019.

NOTE 5: CHANGES OF ASSUMPTIONS – PENSION AND OPEB**Pension**

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

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

CITY OF DEVILS LAKENotes to the Required Supplementary Information - Continued

OPEB

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation: •

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

CITY OF DEVILS LAKESchedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Assistance Listing Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF JUSTICE:			
	Passed Through the State Office of Attorney General		
16.738	Edward Byrne Memorial Justice Assistance Grant Program	19213	5,200.00
16.710	Public Safety Partnership and Community Policing Grants	N/A	40,581.11
16.607	Bulletproof Vest Partnership Program	415954	<u>2,169.00</u>
	Total U.S. Department of Justice		<u>\$ 47,950.11</u>
U.S. DEPARTMENT OF HOMELAND SECURITY:			
	Passed Through the State Department of Emergency Services		
97.067	Homeland Security Grant Program	EMW-2019-SS-000033-S01	<u>25,156.21</u>
	Total U.S. Department of Homeland Security		<u>\$ 25,156.21</u>
U.S. DEPARTMENT OF TRANSPORTATION:			
	Passed Through the State Department of Transportation		
20.600	State and Community Highway Safety	12200903	983.47
20.616	National Priority Safety Programs	12191177	<u>4,784.11</u>
	Total U.S. Department of Transportation		<u>\$ 5,767.58</u>
U.S. DEPARTMENT OF TREASURY:			
	Passed through the State Treasurer Department:		
21.019	Coronavirus Relief Fund	N/A	<u>\$ 1,438,807.50</u>
	Total U.S Department of Treasury		<u>\$ 1,438,807.50</u>
	TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 1,517,681.40</u>

See notes to the Schedule of Expenditures of Federal Awards

CITY OF DEVILS LAKE

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

NOTE 1 BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified cash basis of accounting. For certain programs shown on the schedule of expenditures of federal awards, federal reimbursements are not based upon specific expenditures, the amounts reported here represent cash received rather than federal expenditures. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The City received federal awards both directly and indirectly through passthrough entities. The City has not provided any federal financial assistance to subrecipients.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Governmental fund types account for the City's federal grant activity. The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements.

NOTE 3 PASS-THROUGH GRANT NUMBER

For federal programs marked "N/A", the City was unable to obtain a pass-through grant number.

NOTE 4 INDIRECT COST RATE

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate

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

Independent Auditor's Report

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, 2020, 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 November 4, 2021.

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
November 4, 2021

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the city of Devils Lake's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on city of Devils Lake's major federal program for the year ended December 31, 2020. City of Devils Lake's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the city of Devil's Lake's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the city of Devils Lake's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the city of Devils Lake complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

CITY OF DEVILS LAKE

Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by the Uniform Guidance - Continued

Report on Internal Control Over Compliance

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

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

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

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

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
November 4, 2021

CITY OF DEVILS LAKE

Summary of Auditor's Results
For the Year Ended December 31, 2020

Financial Statements

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

Internal control over financial reporting

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

Federal Awards

Internal Control Over Major Programs

Material weaknesses identified?	_____ Yes	<u> X </u> None	noted
Reportable conditions identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None	noted

Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	_____ Yes	<u> X </u> None	noted

Identification of Major Programs

CFDA Number	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and B programs:	<u> \$ 750,000 </u>
Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No

STATE AUDITOR
Joshua C. Gallion



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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, 2020 which collectively comprise City of Devils Lake's basic financial statements, and have issued our report thereon dated November 4, 2021. 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 August 17, 2021, 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, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of

the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 4, 2021.

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
November 4, 2021



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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