



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, 2021

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Office of the
State Auditor

CITY OF DEVILS LAKE

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CITY OF DEVILS LAKE

City Officials

December 31, 2021

CITY OFFICIALS

Richard Johnson	President
Rob Hach	Commissioner
Shane Hamre	Commissioner
Jack Volk	Commissioner
Dale Robbins	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
Vacant	Manager

STATE AUDITOR
Joshua C. Gallion



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, North Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Devils Lake's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of City of Devils Lake, North Dakota, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

CITY OF DEVILS LAKE

Independent Auditor's Report - Continued

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Devils Lake's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing our audit in accordance with GAAS and GAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *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 notes to the required supplementary information*, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

CITY OF DEVILS LAKE

Independent Auditor's Report - Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with GAS, we have also issued our report dated February 29, 2024 on our consideration 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Devils Lake's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GAS in considering Devils Lake's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
February 29, 2024

CITY OF DEVILS LAKE

Statement of Net Position

December 31, 2021

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Airport
ASSETS				
Cash and Investments	\$ 8,634,768	\$ 5,168,403	\$ 13,803,171	\$ 39,103
Cash with Fiscal Agent	1,150,040	-	1,150,040	-
Utility Billings Receivable	17,710	291,188	308,898	-
Accounts Receivable	50,302	25,098	75,400	14,234
Intergovernmental Receivable	370,523	12,469	382,992	58,038
Due from County	2,992	-	2,992	-
Prepaid Expense	400,000	-	400,000	-
Taxes Receivable	35,964	-	35,964	1,663
Loans Receivable	1,971,096	-	1,971,096	-
Other Asset	231	-	231	-
Certified Special Assessments Receivable	32,322	-	32,322	-
Uncertified Special Assessments Receivable	1,889,301	-	1,889,301	-
Capital Assets				
Nondepreciable	213,819,144	218,289	214,037,433	891,435
Depreciable, Net	45,756,642	21,446,965	67,203,607	19,068,073
Total Assets	\$ 274,131,035	\$ 27,162,412	\$ 301,293,447	\$ 20,072,546
DEFERRED OUTFLOWS OF RESOURCES				
Pensions & OPEB	\$ 1,825,968	\$ 362,101	\$ 2,188,069	\$ 92,000
Total Assets & Deferred Outflows of Resources	\$ 275,957,003	\$ 27,524,513	\$ 303,481,516	\$ 20,164,546
LIABILITIES				
Accounts Payable	\$ 359,866	\$ 105,864	\$ 465,730	\$ 168,434
Salaries and Benefits Payable	10,673	-	10,673	-
Payroll Liability	-	-	-	781
BCBS Admin Payable	40,775	-	40,775	-
Unearned Revenue	574,651	-	574,651	-
Retainage Payable	22,230	-	22,230	-
IBNR Payable	35,300	-	35,300	-
Interest Payable	45,341	-	45,341	-
Long-Term Liabilities				
Due Within One Year				
Long Term Debt	1,418,056	-	1,418,056	-
Compensated Absences Payable	132,750	60,854	193,604	14,950
Due After One Year				
Long Term Debt	12,441,809	-	12,441,809	-
Compensated Absences Payable	309,750	141,996	451,746	34,883
Net Pension & OPEB Liability	880,305	291,366	1,171,671	74,028
Total Liabilities	\$ 16,271,506	\$ 600,080	\$ 16,871,586	\$ 293,076
DEFERRED INFLOWS OF RESOURCES				
Pensions & OPEB	\$ 2,647,279	\$ 523,915	\$ 3,171,194	\$ 133,113
Total Liabilities & Deferred Inflows of Resources	\$ 18,918,785	\$ 1,123,995	\$ 20,042,780	\$ 426,189
NET POSITION				
Net Investment in Capital Assets	\$ 247,767,007	\$ 21,665,254	\$ 269,432,261	\$ 19,959,508
Restricted for				
Debt Service	4,549,280	-	4,549,280	-
General Government	2,370,214	-	2,370,214	-
Public Works	3,443,869	-	3,443,869	-
Emergencies	72,957	-	72,957	-
Economic/Job Development	1,334,625	-	1,334,625	-
Culture and Recreation	75,215	-	75,215	-
Conservation of Natural Resources	5,290	-	5,290	-
Unrestricted	(2,580,239)	4,735,264	2,155,025	(221,151)
Total Net Position	\$ 257,038,218	\$ 26,400,518	\$ 283,438,736	\$ 19,738,357

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, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Airport
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities								
General Government	\$ 2,539,411	\$ 248,319	\$ 71,963	\$ -	\$ (2,219,129)		\$ (2,219,129)	
Public Safety	3,317,140	-	109,501	-	(3,207,639)		(3,207,639)	
Public Works	3,149,272	283,910	370,317	567,626	(1,927,419)		(1,927,419)	
Economic Development	88,950	-	-	-	(88,950)		(88,950)	
Culture and Recreation	292,575	4,696	-	-	(287,879)		(287,879)	
Conserv. of Natural Resources	41,432	-	-	-	(41,432)		(41,432)	
Health and Welfare	20,349	-	-	-	(20,349)		(20,349)	
Other	36,648	-	-	-	(36,648)		(36,648)	
Interest & Fees on Long-Term Debt	400,086	-	-	-	(400,086)		(400,086)	
Total Governmental Activities	\$ 9,885,863	\$ 536,925	\$ 551,781	\$ 567,626	\$ (8,229,531)		\$ (8,229,531)	
Business-Type Activities								
Water Operations	\$ 1,862,754	\$ 1,496,529	\$ -	\$ -	\$ -	\$ (366,225)	\$ (366,225)	
Water Source Replacement	-	-	-	-	-	-	-	
Sewer	992,090	871,246	-	-	-	(120,844)	-	
Sanitation	1,454,575	2,038,604	10,000	-	-	594,029	-	
Total Business-Type Activities	\$ 4,309,419	\$ 4,406,379	\$ 10,000	\$ -	\$ -	\$ 106,960	\$ (366,225)	
Total Primary Government	\$ 14,195,282	\$ 4,943,304	\$ 561,781	\$ 567,626	\$ (8,229,531)	\$ 106,960	\$ (8,595,756)	
Component Unit								
Airport	\$ 1,771,670	\$ 181,589	\$ 394,590	\$ 128,364				\$ (1,067,127)
General Revenues								
Property Taxes					\$ 2,285,754	\$ -	\$ 2,285,754	\$ 203,998
Sales Taxes					3,871,528	182,430	4,053,958	-
Lodging/Restaurant Tax					435,442	-	-	-
Non restricted grants and contributions					639,159	-	639,159	-
Unrestricted investment earnings					7,925	432	8,357	-
Loss on Sale of Capital Assets					(104)	-	(104)	-
Miscellaneous					214,932	42,512	257,444	72,790
Transfers of Capital Assets					(1,484,420)	1,484,420	-	-
Net Cash Transfers					1,467,424	(1,467,424)	-	-
Interest Expense and Service Charges					-	(95)	-	-
Total General Revenues and Transfers					\$ 7,437,640	\$ 242,275	\$ 7,244,568	\$ 276,788
Changes in Net Position					\$ (791,891)	\$ 349,235	\$ (442,656)	\$ (790,339)
Net Position - January 1					\$ 257,278,952	\$ 26,051,283	\$ 283,330,235	\$ 20,528,696
Prior Period Adjustments					\$ 551,157	\$ -	\$ 551,157	\$ -
Net Position - January 1, as restated					\$ 257,830,109	\$ 26,051,283	\$ 283,881,392	\$ 20,528,696
Net Position - December 31					\$ 257,038,218	\$ 26,400,518	\$ 283,438,736	\$ 19,738,357

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

CITY OF DEVILS LAKE

Balance Sheet – Governmental Funds
December 31, 2021

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Investments	\$ -	\$ 7,348,992	\$ -	\$ 873,644	\$ 8,222,636
Cash with Fiscal Agent	-	-	1,150,040	-	1,150,040
Accounts Receivable	39,845	10,457	-	-	50,302
Utility Billings Receivable	17,710	-	-	-	17,710
Intergovernmental Receivable	182,037	146,922	-	41,564	370,523
Due from County	2,575	396	-	21	2,992
Taxes Receivable	30,371	5,264	-	329	35,964
Special Assessments Receivable	-	-	-	32,322	32,322
Uncertified Special Assessments Receivable	-	-	-	1,889,301	1,889,301
Loans Receivable-Net	1,142,405	828,691	-	-	1,971,096
Other Asset	-	231	-	-	231
Prepaid Expenses	-	-	400,000	-	400,000
Due from Other Funds	4,489,114	-	-	3,635,722	8,124,836
Total Assets	\$ 5,904,057	\$ 8,340,953	\$ 1,550,040	\$ 6,472,903	\$ 22,267,953
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 156,878	\$ 51,857	\$ 149,131	\$ 2,000	\$ 359,866
Salaries and Benefits Payable	10,673	-	-	-	10,673
Retainage Payable	-	-	22,230	-	22,230
Unearned Revenue	574,651	-	-	-	574,651
Due to Other Funds	-	-	8,124,836	-	8,124,836
Total Liabilities	\$ 742,202	\$ 51,857	\$ 8,296,197	\$ 2,000	\$ 9,092,256
Deferred Inflows of Resources					
Uncollected Taxes Receivable	\$ 30,371	\$ 5,264	\$ -	\$ 329	\$ 35,964
Uncollected Special Assessments Receivable	-	-	-	32,322	32,322
Uncertified Special Assessments Receivable	-	-	-	1,889,301	1,889,301
Total Deferred Inflows of Resources	\$ 30,371	\$ 5,264	\$ -	\$ 1,921,952	\$ 1,957,587
Total Liabilities & Deferred Inflows of Resources	\$ 772,573	\$ 57,121	\$ 8,296,197	\$ 1,923,952	\$ 11,049,843
Fund Balances					
Non-Spendable					
Loans Receivable	\$ 1,142,405	\$ 828,691	\$ -	\$ -	\$ 1,971,096
Restricted					
Debt Service	-	-	-	4,548,951	4,548,951
General Government	-	2,945,809	-	-	2,945,809
Public Safety	-	3,182	-	-	3,182
Public Works/Streets	-	3,621,333	-	-	3,621,333
Emergency	-	72,957	-	-	72,957
Economic Development	-	679,491	-	-	679,491
Culture & Recreation	-	89,266	-	-	89,266
Conservation of Natural Resources	-	5,290	-	-	5,290
Committed					
Asset Forfeiture Buy Fund	-	2,927	-	-	2,927
City Beautification	-	34,886	-	-	34,886
Unassigned					
General Fund	3,989,079	-	-	-	3,989,079
Negative Fund Balances	-	-	(6,746,157)	-	(6,746,157)
Total Fund Balances	\$ 5,131,484	\$ 8,283,832	\$ (6,746,157)	\$ 4,548,951	\$ 11,218,110
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,904,057	\$ 8,340,953	\$ 1,550,040	\$ 6,472,903	\$ 22,267,953

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, 2021

Total Fund Balances for Governmental Funds			\$ 11,218,110
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.			259,575,786
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	\$	35,964	
Special Assessments		32,322	
Long-Term Uncertified Special Assessments		<u>1,889,301</u>	1,957,587
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.			336,057
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	\$	(2,647,279)	
Deferred Outflows Related to Pensions and OPEB		<u>1,825,968</u>	(821,311)
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	\$	(13,859,865)	
Interest Payable		(45,341)	
Compensated Absences		(442,500)	
Net Pension Liability and OPEB		<u>(880,305)</u>	<u>(15,228,011)</u>
Total Net Position of Governmental Activities			<u>\$ 257,038,218</u>

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, 2021

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Property Taxes	\$ 1,384,192	\$ 334,166	\$ 60,066	\$ 521,915	\$ 2,300,339
Sales Taxes	1,621,581	1,358,588	-	891,359	3,871,528
Lodging/Restaurant Tax	435,442	-	-	-	435,442
Special Assessments	-	24,733	9,782	432,989	467,504
Licenses, Permits and Fees	71,963	-	-	-	71,963
Charges for Services	276,879	69,310	-	-	346,189
Intergovernmental	723,528	395,449	-	-	1,118,977
Fines, Forfeitures and Penalties	190,736	-	-	-	190,736
Interest	2,447	5,478	-	-	7,925
Miscellaneous	176,572	33,320	4,837	203	214,932
Total Revenues	\$ 4,883,340	\$ 2,221,044	\$ 74,685	\$ 1,846,466	\$ 9,025,535
EXPENDITURES					
Current					
General Government	2,325,322	\$ 162,191	\$ -	\$ 2,435	\$ 2,489,948
Public Safety	3,039,373	29,528	-	-	3,068,901
Public Works	741,087	359,263	-	-	1,100,350
Economic Development	-	88,950	-	-	88,950
Culture and Recreation	34,347	191,434	-	-	225,781
Conserv. of Natural Resources	41,432	-	-	-	41,432
Health and Welfare	19,440	-	-	-	19,440
Other	36,648	-	-	-	36,648
Capital Outlay	-	-	2,786,832	-	2,786,832
Debt Service					
Principal	-	108,375	-	1,434,908	1,543,283
Interest & Fees	-	3,098	-	407,235	410,333
Total Expenditures	\$ 6,237,649	\$ 942,839	\$ 2,786,832	\$ 1,844,578	\$ 11,811,898
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,354,309)	\$ 1,278,205	\$ (2,712,147)	\$ 1,888	\$ (2,786,363)
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	\$ -	\$ -	\$ -	\$ 3,420,000	\$ 3,420,000
Bond Premium	-	-	-	139,016	139,016
Recall of Bonds	-	-	-	(1,765,000)	(1,765,000)
Transfers In	1,740,482	690,763	-	609,692	3,040,937
Transfers Out	(126,585)	(955,285)	(475,480)	(16,163)	(1,573,513)
Total Other Financing Sources and Uses	\$ 1,613,897	\$ (264,522)	\$ (475,480)	\$ 2,387,545	\$ 3,261,440
Net Change in Fund Balances	\$ 259,588	\$ 1,013,683	\$ (3,187,627)	\$ 2,389,433	\$ 475,077
Fund Balance - January 1	\$ 4,990,506	\$ 6,363,429	\$ (3,492,296)	\$ 2,159,518	\$ 10,021,157
Prior Period Adjustment	\$ (118,610)	\$ 906,720	\$ (66,234)	\$ -	\$ 721,876
Fund Balance - January 1, as restated	\$ 4,871,896	\$ 7,270,149	\$ (3,558,530)	\$ 2,159,518	\$ 10,743,033
Fund Balance - December 31	\$ 5,131,484	\$ 8,283,832	\$ (6,746,157)	\$ 4,548,951	\$ 11,218,110

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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ 475,077

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.

Capital Outlay	\$ 3,502,612	
Capital Contribution	332,700	
Transfer to Enterprise Funds	(1,484,420)	
Depreciation Expense	<u>(3,029,137)</u>	(678,245)

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		(104)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Compensated Absences Liability	\$ 28,226	
Net Change in Interest Payable	<u>10,247</u>	38,473

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.

Net Change in Net Pension Liability and OPEB	\$ 2,813,075	
Net Change in Deferred Intflows of Resources Related to Pensions and OPEB	(2,116,685)	
Net Change in Deferred Outflows of Resources Related to Pensions and OPEB	<u>(900,992)</u>	(204,602)

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	\$ (3,420,000)	
Issuance of Bond Premium	(139,016)	
Recall of Bonds	1,765,000	
Repayment of Long-Term Debt	<u>1,543,283</u>	(250,733)

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.

Net Change in Taxes Receivable	\$ (14,585)	
Net Change in Special Assessment Receivable	(5,740)	
Net Change in Uncertified Special Assessment Receivable	<u>(226,838)</u>	(247,163)

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

75,406

Change in Net Position of Governmental Activities \$ (791,891)

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, 2021

	Water Fund	Water Source Replacement Fund	Sewer Fund	Sanitation Fund	Other Enterprise Funds	Total	Activities - Internal Service Fund
ASSETS							
Current Assets							
Cash and Investments	\$ 802,783	\$ 3,151,710	\$ 538,021	\$ 675,889	\$ -	\$ 5,168,403	\$ 412,132
Utility Billings Receivable	49,690	-	78,795	162,670	33	291,188	-
Accounts Receivable	22,776	-	2,322	-	-	25,098	-
Intergovernmental Receivables	-	-	12,469	-	-	12,469	-
Total Current Assets	\$ 875,249	\$ 3,151,710	\$ 631,607	\$ 838,559	\$ 33	\$ 5,497,158	\$ 412,132
Noncurrent Assets:							
Capital Assets							
Nondepreciable	\$ 122,184	\$ -	\$ 17,151	\$ 78,954	\$ -	\$ 218,289	\$ -
Depreciable, Net	16,712,554	-	4,130,755	603,656	-	21,446,965	-
Total Noncurrent Assets	\$ 16,834,738	\$ -	\$ 4,147,906	\$ 682,610	\$ -	\$ 21,665,254	\$ -
Total Assets	\$ 17,709,987	\$ 3,151,710	\$ 4,779,513	\$ 1,521,169	\$ 33	\$ 27,162,412	\$ 412,132
DEFERRED OUTFLOWS OF RESOURCES							
Pensions & OPEB	\$ 75,259	\$ -	\$ 95,908	\$ 190,934	\$ -	\$ 362,101	\$ -
Total Assets & Deferred Outflows of Resources	\$ 17,785,246	\$ 3,151,710	\$ 4,875,421	\$ 1,712,103	\$ 33	\$ 27,524,513	\$ 412,132
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ 12,413	\$ -	\$ 47,068	\$ 46,383	\$ -	\$ 105,864	\$ -
BCBS Admin Payable	-	-	-	-	-	-	40,775
Compensated Absences	20,679	-	14,754	25,421	-	60,854	-
IBNR Claims	-	-	-	-	-	-	35,300
Total Current Liabilities	\$ 33,092	\$ -	\$ 61,822	\$ 71,804	\$ -	\$ 166,718	\$ 76,075
Noncurrent Liabilities							
Compensated Absences	\$ 48,252	\$ -	\$ 34,428	\$ 59,316	\$ -	\$ 141,996	\$ -
Net Pension & OPEB Liability	60,557	-	77,173	153,636	-	291,366	-
Total Noncurrent Liabilities	\$ 108,809	\$ -	\$ 111,601	\$ 212,952	\$ -	\$ 433,362	\$ -
Total Liabilities	\$ 141,901	\$ -	\$ 173,423	\$ 284,756	\$ -	\$ 600,080	\$ 76,075
DEFERRED INFLOWS OF RESOURCES							
Pensions & OPEB	\$ 108,890	\$ -	\$ 138,767	\$ 276,258	\$ -	\$ 523,915	\$ -
Total Liabilities & Deferred Inflows of Resources	\$ 250,791	\$ -	\$ 312,190	\$ 561,014	\$ -	\$ 1,123,995	\$ 76,075
NET POSITION							
Net Investment in Capital Assets	\$ 16,834,738	\$ -	\$ 4,147,906	\$ 682,610	\$ -	\$ 21,665,254	\$ -
Unrestricted	699,717	3,151,710	415,325	468,479	33	4,735,264	336,057
Total Net Position	\$ 17,534,455	\$ 3,151,710	\$ 4,563,231	\$ 1,151,089	\$ 33	\$ 26,400,518	\$ 336,057

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, 2021

	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	\$ 1,496,529	\$ -	\$ 871,246	\$ 2,038,604	\$ -	\$ 4,406,379	\$ -
Contributions to Self Insurance	-	-	-	-	-	-	685,262
Total Operating Revenues	\$ 1,496,529	\$ -	\$ 871,246	\$ 2,038,604	\$ -	\$ 4,406,379	\$ 685,262
OPERATING EXPENSES							
Operating Expenses	\$ 673,811	\$ -	\$ 734,971	\$ 820,597	\$ -	\$ 2,229,379	\$ -
Warwick Wells	70,681	-	-	-	-	70,681	-
Inert Landfill	-	-	-	73,133	-	73,133	-
Transfer Station	-	-	-	475,318	-	475,318	-
Health Insurance	-	-	-	-	-	-	635,727
Airport Lot Rent	8,334	-	8,334	6,666	-	23,334	-
Depreciation	1,109,928	-	248,785	78,861	-	1,437,574	-
Total Operating Expenses	\$ 1,862,754	\$ -	\$ 992,090	\$ 1,454,575	\$ -	\$ 4,309,419	\$ 635,727
Operating Income (Loss)	\$ (366,225)	\$ -	\$ (120,844)	\$ 584,029	\$ -	\$ 96,960	\$ 49,535
NONOPERATING REVENUES (EXPENSES)							
Investment Earnings	\$ 144	\$ -	\$ 144	\$ 144	\$ -	\$ 432	\$ 54
Intergovernmental	-	-	-	10,000	-	10,000	-
Sales and Use Tax	-	-	182,430	-	-	182,430	-
Other Nonoperating Revenues	8,125	846	32,431	1,110	-	42,512	25,817
Interest Expense and Service Charges	(31)	-	(32)	(32)	-	(95)	-
Total Nonoperating Revenues (Expenses)	\$ 8,238	\$ 846	\$ 214,973	\$ 11,222	\$ -	\$ 235,279	\$ 25,871
Income (Loss) Before Contributions and Transfers	\$ (357,987)	\$ 846	\$ 94,129	\$ 595,251	\$ -	\$ 332,239	\$ 75,406
Transfers In	\$ -	\$ 281,383	\$ -	\$ -	\$ -	\$ 281,383	\$ -
Transfers of Capital Assets	1,484,420	-	-	-	-	1,484,420	-
Transfers Out	(723,644)	-	(398,527)	(626,636)	-	(1,748,807)	-
Change in Net Position	\$ 402,789	\$ 282,229	\$ (304,398)	\$ (31,385)	\$ -	\$ 349,235	\$ 75,406
Net Position - January 1	\$ 17,131,666	\$ 2,869,481	\$ 4,867,629	\$ 1,182,474	\$ 33	\$ 26,051,283	\$ 260,651
Net Position - December 31	\$ 17,534,455	\$ 3,151,710	\$ 4,563,231	\$ 1,151,089	\$ 33	\$ 26,400,518	\$ 336,057

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, 2021

	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	\$ 1,529,503	\$ -	\$ 887,820	\$ 2,061,534	\$ -	\$ 4,478,857	\$ 685,262
Payments to Suppliers	(469,720)	-	(530,158)	(1,209,313)	-	(2,209,191)	(639,180)
Payments to Employees	(267,146)	-	(172,245)	(172,245)	-	(611,636)	-
Other Receipts	8,125	846	32,431	1,110	-	42,512	25,817
Net Cash Provided by Operating Activities	\$ 800,762	\$ 846	\$ 217,848	\$ 681,086	\$ -	\$ 1,700,542	\$ 71,899
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers In	\$ -	\$ 281,383	\$ -	\$ -	\$ -	\$ 281,383	\$ -
Operating Grant	-	-	-	10,000	-	10,000	-
Sales Tax	-	-	183,396	-	-	183,396	-
Transfers Out	(723,644)	-	(398,527)	(626,636)	-	(1,748,807)	-
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (723,644)	\$ 281,383	\$ (215,131)	\$ (616,636)	\$ -	\$ (1,274,028)	\$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases and Construction of Capital Assets	\$ (38,792)	\$ -	\$ (22,000)	\$ (16,500)	\$ -	\$ (77,292)	\$ -
Interest and Fees Paid on Capital Debt	(31)	-	(32)	(32)	-	(95)	-
Net Cash (Used) by Capital and Related Financing Activities	\$ (38,823)	\$ -	\$ (22,032)	\$ (16,532)	\$ -	\$ (77,387)	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest Income	\$ 141	\$ -	\$ 145	\$ 144	\$ -	\$ 430	\$ 54
Net Increase (Decrease) in Cash & Cash Equivalents	\$ 38,436	\$ 282,229	\$ (19,170)	\$ 48,062	\$ -	\$ 349,557	\$ 71,953
Cash and Cash Equivalents, January 1	\$ 764,347	\$ 2,869,481	\$ 557,191	\$ 627,827	\$ -	\$ 4,818,846	\$ 340,179
Cash and Cash Equivalents, December 31	\$ 802,783	\$ 3,151,710	\$ 538,021	\$ 675,889	\$ -	\$ 5,168,403	\$ 412,132
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities							
Operating Income (Loss)	\$ (366,225)	\$ -	\$ (120,844)	\$ 584,029	\$ -	\$ 96,960	\$ 49,535
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities							
Depreciation Expense	\$ 1,109,928	\$ -	\$ 248,785	\$ 78,861	\$ -	\$ 1,437,574	\$ -
Non-operating revenues classified as cash inflows from operations	8,125	846	31,465	1,110	-	41,546	25,817
Change in Assets and Liabilities							
Utility Billings Receivable	29,522	-	(161)	22,930	-	52,291	-
Accounts Receivable	3,452	-	16,735	-	-	20,187	-
Intergovernmental Receivables	-	-	966	-	-	966	-
Accounts Payable	1,049	-	32,158	(20,428)	-	12,779	37,947
Compensated Absences	5,269	-	3,874	(7,756)	-	1,387	-
Net Pension and OPEB	9,642	-	4,870	22,340	-	36,852	-
IBNR Claims	-	-	-	-	-	-	(41,400)
Net Cash Provided by Operating Activities	\$ 800,762	\$ 846	\$ 217,848	\$ 681,086	\$ -	\$ 1,700,542	\$ 71,899

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, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 129,968
Other Asset	<u>848</u>
Total Assets	<u>\$ 130,816</u>
LIABILITIES	
Accounts Payable	<u>\$ 28,457</u>
Total Liabilities	<u>\$ 28,457</u>
NET POSITION	
Restricted for Other Governments	<u>\$ 102,359</u>
Total Liabilities and Net Position	<u>\$ 130,816</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, 2021

	<u>Custodial Funds</u>
ADDITIONS	
Intergovernmental Revenue	<u>\$ 254,840</u>
DEDUCTIONS	
Miscellaneous Disbursements	<u>\$ 331,292</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>\$ (76,452)</u>
Net Position - Beginning	<u>\$ 178,811</u>
Net Position - Ending	<u><u>\$ 102,359</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, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Devils Lake, North Dakota ("City") 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.

Reporting Entity

The accompanying financial statements present the activities of the City. The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the City 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.

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 ("Airport") - The Airport 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.

Basis of Presentation

Government-wide statements. The statement of net position and the statement of activities display information about the primary government. 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.

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 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, interest, and non-restricted grants and contributions, 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 nonmajor funds.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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.

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.

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

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 on a cost reimbursement basis.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 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. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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 general 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 are both restricted and unrestricted net assets available to finance the program. It is the City’s policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use 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	15-50
Equipment	7-10
Governmental Infrastructure	10-40
Water Infrastructure	25-30
Sewer Infrastructure	20-50
Sanitation Infrastructure	25-30
Airport Infrastructure	30-75

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.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

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 12-31-2021 was \$3,963,296, or 64% of 2021 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;

Fund Balance Spending Policy. It is the policy of the City to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Council to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Non-spendable Fund Balances. Non-spendable fund balances are reported for loans receivable in the Special Revenue Fund.

Restricted Fund Balances. Restricted fund balances are shown by primary function on the balance sheet. Restricted fund balances are restricted by tax levies (enabling legislation) and by outside 3rd parties (state and federal governments for various grants & reimbursements).

Committed Fund Balance. Committed fund balances are reported in the city beautification fund and the asset forfeiture buy fund which were both committed by the governing board.

Unassigned Fund Balances. Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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 is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

NOTE 2: PRIOR PERIOD ADJUSTMENTS

Primary Government

Net position and fund balance of the City as of January 1, 2021 has been restated for adjustments as shown below. The results of the adjustment increased the beginning net position and fund balance for Special Revenue Fund and decreased the fund balance for the General Fund and Capital Projects Fund of the City.

	General Fund	Special Revenue Fund	Capital Projects Fund	Governmental Activities
Beginning Net Position/Fund Balance, as Previously Reported	\$ 4,990,506	\$ 6,363,429	\$ (3,492,296)	\$ 257,278,952
Prior Period Adjustments				
Long Term Debt	-	-	-	(236,953)
Retainage Payable	-	-	(66,234)	-
Loans Receivable	(118,610)	906,720	-	788,110
Net Position/Fund Balance January 1, Restated	\$ 4,871,896	\$ 7,270,149	\$ (3,558,530)	\$ 257,830,109

NOTE 3: DEPOSITS

Custodial Credit Risk

Credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution’s failure, the City would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The City does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, 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 \$15,120,384 and the bank balances totaled \$15,191,619. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. \$1,150,016 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.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 4: PROPERTY TAXES

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

NOTE 5: LOANS RECEIVABLE

The City issues loans for various economic development projects. The City sets up a payment schedule with interest for the loans to be repaid. The City had the following loan activity for the year ended December 31, 2021:

	Beginning Balance, Restated	Additions	Deductions	Ending Balance
General Fund				
COJack Snack and Pack, LLC	\$ 1,186,390	\$ -	\$ 43,985	\$ 1,142,405
Special Revenue Fund				
Façade Loans	\$ 5,198	\$ 10,000	\$ 2,400	\$ 12,798
Affordable Housing Loans	380,824	-	75,669	305,155
Flex PACE Loans	520,698	-	49,960	470,738
SBRLF Loans	-	40,000	-	40,000
Total	\$ 2,093,110	\$ 50,000	\$ 172,014	\$ 1,971,096

NOTE 6: CAPITAL ASSETS

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

Primary Government

Governmental Activities	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized					
Land	\$ 3,574,089	\$ -	\$ -	\$ -	\$ 3,574,089
Construction in Progress	219,811,143	3,638,970	-	(13,205,058)	210,245,055
Total Capital Assets, Not Being Depreciated or Amortized	\$ 223,385,232	\$ 3,638,970	\$ -	\$ (13,205,058)	\$ 213,819,144
Capital Assets Being Depreciated					
Buildings	\$ 3,536,977	\$ -	\$ -	\$ -	\$ 3,536,977
Equipment	6,295,808	195,601	84,998	-	6,406,411
Infrastructure	78,433,780	17,940	-	11,720,638	90,172,358
Total Capital Assets, Being Depreciated	\$ 88,266,565	\$ 213,541	\$ 84,998	\$ 11,720,638	\$ 100,115,746
Less Accumulated Depreciation					
Buildings	\$ 2,743,900	\$ 74,429	\$ -	\$ -	\$ 2,818,329
Vehicles & Equipment	4,331,885	359,954	67,694	-	4,624,145
Infrastructure	44,321,876	2,594,754	-	-	46,916,630
Total Accumulated Depreciation	\$ 51,397,661	\$ 3,029,137	\$ 67,694	\$ -	\$ 54,359,104
Total Capital Assets Being Depreciated, Net	\$ 36,868,904	\$ (2,815,596)	\$ 17,304	\$ 11,720,638	\$ 45,756,642
Capital Assets, Net	\$ 260,254,136	\$ 823,374	\$ 17,304	\$ (1,484,420)	\$ 259,575,786

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

	Amounts
General Government	\$ 48,063
Public Safety	248,312
Public Works & Infrastructure	2,670,816
Culture and Recreation	61,037
Health/Welfare	909
Total	\$ 3,029,137

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	686,544	38,792	-	-	725,336
Infrastructure	27,857,013	-	-	1,484,421	29,341,434
Total Capital Assets, Being Depreciated	\$ 28,890,217	\$ 38,792	\$ -	\$ 1,484,421	\$ 30,413,430
Less Accumulated Depreciation					
Buildings	\$ 346,660	\$ -	\$ -	\$ -	\$ 346,660
Vehicles & Equipment	505,632	44,340	-	-	549,972
Infrastructure	11,738,655	1,065,589	-	-	12,804,244
Total Accumulated Depreciation	\$ 12,590,947	\$ 1,109,929	\$ -	\$ -	\$ 13,700,876
Total Capital Assets Being Depreciated, Net	\$ 16,299,270	\$ (1,071,137)	\$ -	\$ 1,484,421	\$ 16,712,554
Capital Assets, Net	\$ 16,421,454	\$ (1,071,137)	\$ -	\$ 1,484,421	\$ 16,834,738

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	1,225,272	22,000	-	-	1,247,272
Infrastructure	12,760,563	-	-	-	12,760,563
Total Capital Assets, Being Depreciated	\$ 15,346,607	\$ 22,000	\$ -	\$ -	\$ 15,368,607
Less Accumulated Depreciation					
Buildings	\$ 1,287,597	\$ 17,614	\$ -	\$ -	\$ 1,305,211
Vehicles & Equipment	1,077,953	34,237	-	-	1,112,190
Infrastructure	8,623,517	196,934	-	-	8,820,451
Total Accumulated Depreciation	\$ 10,989,067	\$ 248,785	\$ -	\$ -	\$ 11,237,852
Total Capital Assets Being Depreciated, Net	\$ 4,357,540	\$ (226,785)	\$ -	\$ -	\$ 4,130,755
Capital Assets, Net	\$ 4,374,691	\$ (226,785)	\$ -	\$ -	\$ 4,147,906

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	\$ 399,422	\$ -	\$ -	\$ -	\$ 399,422
Equipment	1,803,261	16,500	-	-	1,819,761
Infrastructure	496,666	-	-	-	496,666
Total Capital Assets, Being Depreciated	\$ 2,699,349	\$ 16,500	\$ -	\$ -	\$ 2,715,849
Less Accumulated Depreciation					
Buildings	\$ 349,760	\$ 5,272	\$ -	\$ -	\$ 355,032
Vehicles & Equipment	1,542,848	53,781	-	-	1,596,629
Infrastructure	140,722	19,810	-	-	160,532
Total Accumulated Depreciation	\$ 2,033,330	\$ 78,863	\$ -	\$ -	\$ 2,112,193
Total Capital Assets Being Depreciated, Net	\$ 666,019	\$ (62,363)	\$ -	\$ -	\$ 603,656
Capital Assets, Net	\$ 744,973	\$ (62,363)	\$ -	\$ -	\$ 682,610

Depreciation expense was charged to the water fund, sewer fund, and sanitation fund, respectively, for business-type activities.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Discretely Presented Component Unit

Airport - Component Unit	Balance Jan 1	Increases	Decreases	Transfers	Balance Dec 31
Capital Assets Not Being Depreciated or Amortized					
Land	\$ 722,089	\$ -	\$ -	\$ -	\$ 722,089
Construction in Progress	94,413	128,365	-	(53,432)	169,346
Total Capital Assets, Not Being Depreciated or Amortized	\$ 816,502	\$ 128,365	\$ -	\$ (53,432)	\$ 891,435
Capital Assets Being Depreciated					
Buildings	\$ 2,007,740	\$ -	\$ -	\$ -	\$ 2,007,740
Equipment	2,622,092	-	-	-	2,622,092
Infrastructure	25,210,822	-	-	53,432	25,264,254
Total Capital Assets, Being Depreciated	\$ 29,840,654	\$ -	\$ -	\$ 53,432	\$ 29,894,086
Less Accumulated Depreciation					
Buildings	\$ 531,583	\$ 40,155	\$ -	\$ -	\$ 571,738
Vehicles & Equipment	1,687,761	148,749	-	-	1,836,510
Infrastructure	7,687,455	730,310	-	-	8,417,765
Total Accumulated Depreciation	\$ 9,906,799	\$ 919,214	\$ -	\$ -	\$ 10,826,013
Total Capital Assets Being Depreciated, Net	\$ 19,933,855	\$ (919,214)	\$ -	\$ 53,432	\$ 19,068,073
Capital Assets, Net	\$ 20,750,357	\$ (790,849)	\$ -	\$ -	\$ 19,959,508

NOTE 8: LONG-TERM LIABILITIES

During the year ended December 31, 2021, the following changes occurred in long-term liabilities of the City:

Primary Government

Governmental Activities	Restated Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Long Term Debt					
Sales Tax Revenue Bonds	\$ 5,839,462	\$ -	\$ 560,448	\$ 5,279,014	\$ 537,829
Special Assessment Bonds	7,453,834	3,420,000	2,639,460	8,234,374	798,713
Contract for Deed	77,462	-	44,805	32,657	32,657
Economic Development Loan Payable	238,374	-	63,571	174,803	40,169
Bond Premium	-	139,017	-	139,017	8,688
Total Long Term Debt	\$ 13,609,132	\$ 3,559,017	\$ 3,308,284	\$ 13,859,865	\$ 1,418,056
Compensated Absences *	\$ 470,726	\$ 76,350	\$ 104,576	\$ 442,500	\$ 132,750
Net Pension & OPEB Liability	3,693,380	-	2,813,075	880,305	-
Total Governmental Activities	\$ 17,773,238	\$ 3,635,367	\$ 6,225,935	\$ 15,182,670	\$ 1,550,806

Compensated Absences are paid out of the General Fund and Special Revenue Fund.

Business-Type Activities

Business-Type Activities Water Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 63,662	\$ 17,795	\$ 12,526	\$ 68,931	\$ 20,679
Net Pension & OPEB Liability	174,098	-	113,541	60,557	-
Total Business Activities	\$ 237,760	\$ 17,795	\$ 126,067	\$ 129,488	\$ 20,679

Compensated Absences are paid out of the Water Fund.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Business-Type Activities Sewer Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 45,308	\$ 18,826	\$ 14,952	\$ 49,182	\$ 14,754
Net Pension & OPEB Liability	237,139	-	159,966	77,173	-
Total Business Activities	\$ 282,447	\$ 18,826	\$ 174,918	\$ 126,355	\$ 14,754

Compensated Absences are paid out of the Sewer Fund.

Business-Type Activities Sanitation Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 92,492	\$ 21,984	\$ 29,739	\$ 84,737	\$ 25,421
Net Pension & OPEB Liability	446,057	-	292,421	153,636	-
Total Business Activities	\$ 538,549	\$ 21,984	\$ 322,160	\$ 238,373	\$ 25,421

Compensated Absences are paid out of the Sanitation Fund.

Component Unit – Airport Authority

Airport Authority	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 47,694	\$ 13,366	\$ 11,227	\$ 49,833	\$ 14,950
Net Pension & OPEB Liability	215,884	-	141,856	74,028	-
Total Airport	\$ 263,578	\$ 13,366	\$ 153,083	\$ 123,861	\$ 14,950

Compensated Absences are paid out of the Airport Fund.

The annual debt service requirements for all long-term liabilities outstanding, except compensated absences and net pension liability as of December 31, 2021, are as follows:

Primary Government

Year Ending Dec. 31	Sales Tax Bonds		Spec. Assmt. Bonds		Economic Development Loan Payable	Bond Premium	Contract for Deed	
	Principal	Interest	Principal	Interest			Principal	Interest
2022	\$ 537,829	\$ 123,948	\$ 798,713	\$ 167,283	\$ 40,169	\$ 8,689	\$ 32,657	\$ 1,306
2023	551,905	111,772	816,300	151,146	33,591	8,689	-	-
2024	565,361	98,792	828,939	134,382	30,474	8,689	-	-
2025	578,885	85,804	836,631	117,090	26,306	8,689	-	-
2026	592,481	72,182	859,378	99,143	15,247	8,689	-	-
2027-2031	2,133,919	163,067	3,120,054	258,275	27,131	43,445	-	-
2032-2036	318,634	7,587	844,359	48,861	1,885	43,445	-	-
2037-2041	-	-	130,000	1,300	-	8,682	-	-
Totals	\$ 5,279,014	\$ 663,152	\$ 8,234,374	\$ 977,480	\$ 174,803	\$ 139,017	\$ 32,657	\$ 1,306

NOTE 9: 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.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Main System

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

Law Enforcement System

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

Main and Law Enforcement System

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.

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.

Main and Law Enforcement System

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 (Main & Law Enforcement Systems)

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, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Law Enforcement System

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

Plan	Member Contribution Rate	Employer Contribution Rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard (effective 8/1/2015)*	5.50%	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, 2021, the City of Devils Lake reported a liability of \$1,063,418 (main system - \$1,255,030 liability; law enforcement system – \$191,612 asset), and its component unit (airport) reported a liability of \$68,150 for their proportionate shares of net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the City's proportion for the Main System was .120410 percent, which was an decrease of .000528 percent from its proportion measured as of June 30, 2020. At June 30, 2021, the airport's proportion for the Main System was .006538 percent, which was an decrease of .000043 percent from its proportion measured as of June 30, 2020. At June 30, 2021, the City's proportion for the Law Enforcement System was 8.646347 percent, which was a decrease of 0.498780 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the City recognized total pension expense of \$301,759 for the main system, and \$172,770 for the law enforcement system. For the year ended December 31, 2021, the Airport recognized pension expense of \$16,386.

At December 31, 2021, 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	\$ 17,037	\$ 100,717
Changes of Assumptions	1,092,196	1,423,996
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	365,988
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	139,232	5,258
District Contributions Subsequent to the Measurement Date	40,877	-
Total Main System - Governmental	\$ 1,289,342	\$ 1,895,959

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

ND PERS - Law Enforcement	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 14,170	\$ 59,507
Changes of Assumptions	398,592	529,341
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	122,330
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	37,468	8,647
District Contributions Subsequent to the Measurement Date	43,590	-
Total Law Enforcement	\$ 493,820	\$ 719,825

Main System - Business-Type Activities - Water	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 963	\$ 5,690
Changes of Assumptions	61,703	80,447
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	20,676
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	7,866	297
District Contributions Subsequent to the Measurement Date	2,309	-
Total Main System - Business-Type Activities - Water	\$ 72,840	\$ 107,111

Main System - Business-Type Activities - Sewer	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,227	\$ 7,251
Changes of Assumptions	78,633	102,521
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	26,349
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	10,024	379
District Contributions Subsequent to the Measurement Date	2,943	-
Total Main System - Business-Type Activities - Sewer	\$ 92,826	\$ 136,500

Main System- Business-Type Activities - Sanitation	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,442	\$ 14,436
Changes of Assumptions	156,542	204,098
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	52,456
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	19,956	754
District Contributions Subsequent to the Measurement Date	5,859	-
Total Main System - Businesses-Type Activities - Sanitation	\$ 184,799	\$ 271,744

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	\$ 1,177	\$ 6,956
Changes of Assumptions	75,429	98,344
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	25,276
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	9,616	363
District Contributions Subsequent to the Measurement Date	2,823	-
Total Main System - Airport	\$ 89,044	\$ 130,938

\$40,877 (Governmental – Main System), \$43,590 (Governmental – Law Enforcement System), \$2,309 (Water), \$2,943 (Sewer), \$5,859 (Sanitation), and \$2,823 (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, 2022 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	
2022	\$ (47,100)	\$ (44,544)	\$ (2,661)	\$ (3,391)	\$ (6,751)	\$ (3,253)
2023	(126,635)	(43,863)	(7,154)	(9,117)	(18,150)	(8,746)
2024	(116,999)	(40,750)	(6,610)	(8,423)	(16,769)	(8,080)
2025	(356,759)	(83,348)	(20,155)	(25,685)	(51,134)	(24,638)
Thereafter	-	(57,090)	-	-	-	-

Actuarial Assumptions

The total pension liability in the July 1, 2021 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	7.00%, 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.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
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 1.92%; and the resulting Single Discount Rate is 7.00%.

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

The following presents the Employer’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Employer’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

Proportionate Share of the Net Pension Liability	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<u>Governmental</u>			
Main System	\$ 501,741	\$ 986,800	\$ 1,569,344
Law Enforcement System	(357,106)	(191,612)	23,731
<u>Business-Type Activities</u>			
Water	28,345	55,748	88,659
Sewer	36,123	71,045	112,985
Sanitation	71,913	141,436	224,931
<u>Component Unit</u>			
Airport	34,651	68,150	108,382

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 10: 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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

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

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

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

At December 31, 2021, the City reported a liability of \$108,253, and its component unit (Airport) reported a liability of \$5,878 for their proportionate shares of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021, the City’s proportion was .194639 percent, and the Airport’s proportion was .010569 percent, which were increases of .001959 percent and .000083 percent respectively from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021 the City recognized OPEB expense of \$19,427, and the Airport recognized OPEB expense of \$1,059. At December 31, 2021 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	\$ 4,888	\$ 2,333
Changes of Assumptions	13,181	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	29,163
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	14,627	-
District Contributions Subsequent to the Measurement Date	10,110	-
Total Governmental	\$ 42,806	\$ 31,496

Main System - Business-Type - Water	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 276	\$ 132
Changes of Assumptions	745	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	1,648
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	826	-
District Contributions Subsequent to the Measurement Date	571	-
Total Business-Type - Water	\$ 2,418	\$ 1,779

Main System - Business-Type - Sewer	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 352	\$ 168
Changes of Assumptions	949	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	2,100
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,053	-
District Contributions Subsequent to the Measurement Date	728	-
Total Business-Type - Sewer	\$ 3,082	\$ 2,268

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Main System - Business-Type - Sanitation	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 701	\$ 334
Changes of Assumptions	1,889	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	4,180
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	2,096	-
District Contributions Subsequent to the Measurement Date	1,449	-
Total - Business-Type - Sanitation	\$ 6,135	\$ 4,514

Main System - Airport (Component Unit)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 338	\$ 161
Changes of Assumptions	910	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	2,014
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	1,010	-
District Contributions Subsequent to the Measurement Date	698	-
Total Airport	\$ 2,956	\$ 2,175

\$10,110 (Governmental – Main System), \$571 (Water), \$728 (Sewer), \$1,449 (Sanitation), and \$698 (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, 2022.

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

	Primary Government				Component Unit
	Governmental	Business-Type			
		Water	Sewer	Sanitation	Airport
2022	\$ 1,937	\$ 109	\$ 139	\$ 278	\$ 134
2023	1,727	98	124	248	119
2024	400	23	29	57	28
2025	(3,511)	(198)	(253)	(503)	(242)
2026	647	37	47	93	45

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not Applicable
Investment Rate of Return	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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	40%	0.50%
International Equities	21%	6.25%

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 rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the 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, 2021, 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	\$ 50,321	\$ 85,117	\$ 125,493
<u>Business-Type Activities</u>			
Water	2,843	4,809	7,090
Sewer	3,623	6,128	9,035
Sanitation	7,212	12,200	17,987
<u>Component Unit</u>			
Airport	3,475	5,878	8,667

NOTE 11: 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.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

As of December 31, 2021, 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 \$775,226.

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, 2021, there were two CDBG loans outstanding and one Governor’s Fund loans outstanding, with an aggregate principal amount payable of \$460,970.

NOTE 12: 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 (NDRIF), 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 NDRIF for its general liability, automobile, and public assets insurance coverage. The coverage by NDRIF is limited to losses of five million dollars per occurrence for general liability and automobile coverage and to \$5,388,638 for public assets (mobile equipment and portable property) coverage, and also for governance liability of two million dollars per occurrence. 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.14

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 13: FUND DEFICITS

The following individual funds were in a deficit fund balance position at December 31, 2021:

Governmental Funds	Amounts
Capital Project Fund	\$ (7,123,926)

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 14: 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, 2021:

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	\$ 1,147,748	\$ 494,216	\$ 22,230

NOTE 15: SUBSEQUENT EVENTS

On February 22, 2022 the City authorized the issuance of \$1,255,000 Refunding Improvement Bonds, Series 2022A.

NOTE 16: PREPAID EXPENSES

The City has monies held with a Fiscal Agent for the construction of the Embankment Raise Project. During 2021, the City remitted \$400,000 to the United States Army Corp of Engineers for work to be completed in the future. This amount is being reported as Prepaid Expenses.

NOTE 17: 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	\$ 1,740,482	\$ 126,585
Special Revenue Fund	690,763	955,285
Capital Project Fund	-	475,480
Debt Service Fund	609,692	16,163
Business-Type Funds		
Major Funds		
Water Fund	-	723,644
Water Source Replacement	281,383	-
Sewer Fund	-	398,527
Sanitation Fund	-	626,636
Total Transfers	\$ 3,322,320	\$ 3,322,320

Transfers are used to move unrestricted general revenue to finance programs that the City accounts for in other funds in accordance with budget authority and to subsidize other programs.

CITY OF DEVILS LAKE

Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Property Taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,384,192	\$ (15,808)
Sales Taxes	1,320,000	1,320,000	1,621,581	301,581
Lodging/Restaurant Tax	350,000	350,000	435,442	85,442
Licenses, Permits and Fees	74,000	74,000	71,963	(2,037)
Charges for Services	281,350	281,350	276,879	(4,471)
Intergovernmental	585,088	585,088	723,528	138,440
Fines, Forfeitures and Penalties	176,700	176,700	190,736	14,036
Interest	70,000	70,000	2,447	(67,553)
Miscellaneous	169,000	169,000	176,572	7,572
Total Revenues	\$ 4,426,138	\$ 4,426,138	\$ 4,883,340	\$ 457,202
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,153,146	\$ 2,153,146	\$ 2,325,322	\$ (172,176)
Public Safety	2,962,118	2,962,118	3,039,373	(77,255)
Public Works	803,331	803,331	741,087	62,244
Health and Welfare	21,598	21,598	19,440	2,158
Culture & Recreation	34,347	34,347	34,347	-
Conservation of Natural Resources	46,371	46,371	41,432	4,939
Other	20,000	20,000	36,648	(16,648)
Total Expenditures	\$ 6,040,911	\$ 6,040,911	\$ 6,237,649	\$ (196,738)
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,614,773)	\$ (1,614,773)	\$ (1,354,309)	\$ 260,464
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,587,686	\$ 1,587,686	\$ 1,740,482	\$ 152,796
Transfers Out	(62,585)	(62,585)	(126,585)	(64,000)
Total Other Financing Sources and Uses	\$ 1,525,101	\$ 1,525,101	\$ 1,613,897	\$ 88,796
Net Change in Fund Balances	\$ (89,672)	\$ (89,672)	\$ 259,588	\$ 349,260
Fund Balances - January 1	\$ 4,990,506	\$ 4,990,506	\$ 4,990,506	\$ -
Fund Balances - December 31	\$ 4,782,224	\$ 4,782,224	\$ 5,131,484	\$ 349,260

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, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property Taxes	\$ 342,421	\$ 342,421	\$ 334,166	\$ (8,255)
Special Assessment Taxes	25,000	25,000	24,733	(267)
Sales Taxes	1,089,000	1,089,000	1,358,588	269,588
Charges for Services	172,021	172,021	69,310	(102,711)
Intergovernmental	310,798	310,798	395,449	84,651
Interest	8,000	8,000	5,478	(2,522)
Miscellaneous	27,400	27,400	33,320	5,920
Total Revenues	\$ 1,974,640	\$ 1,974,640	\$ 2,221,044	\$ 246,404
EXPENDITURES				
Current				
General Government	\$ 202,599	\$ 202,599	\$ 162,191	\$ 40,408
Public Safety	-	-	29,528	(29,528)
Public Works	562,522	562,522	359,263	203,259
Economic Development	240,460	240,460	88,950	151,510
Culture and Recreation	220,247	220,247	191,434	28,813
Debt Service				
Principal	44,805	44,805	108,375	(63,570)
Interest	3,098	3,098	3,098	-
Total Expenditures	\$ 1,273,731	\$ 1,273,731	\$ 942,839	\$ 330,892
Excess (Deficiency) of Revenues Over Expenditures	\$ 700,909	\$ 700,909	\$ 1,278,205	\$ 577,296
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 581,887	\$ 893,587	\$ 690,763	\$ (202,824)
Transfers Out	(1,077,097)	(1,245,617)	(955,285)	290,332
Total Other Financing Sources and Uses	\$ (495,210)	\$ (352,030)	\$ (264,522)	\$ 87,508
Net Change in Fund Balances	\$ 205,699	\$ 348,879	\$ 1,013,683	\$ 664,804
Fund Balances - January 1	\$ 6,363,429	\$ 6,363,429	\$ 6,363,429	\$ -
Prior Period Adjustment	\$ -	\$ -	\$ 906,720	906,720
Fund Balances - January, Restated	\$ 6,363,429	\$ 6,363,429	\$ 7,270,149	\$ 906,720
Fund Balances - December 31	\$ 6,569,128	\$ 6,712,308	\$ 8,283,832	\$ 1,571,524

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, 2021

**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					
2021	0.120410%	\$ 1,255,030	\$ 1,363,504	92.04%	78.26%
2020	0.120937%	3,804,712	1,334,082	285.19%	48.91%
2019	0.110829%	1,299,000	1,152,817	112.68%	71.66%
2018	0.099541%	1,679,859	1,022,595	164.27%	62.80%
2017	0.084974%	1,365,814	867,456	157.45%	61.98%
2016	0.074058%	721,768	746,332	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					
2021	8.646347%	\$ (191,612)	\$ 959,488	-19.97%	115.21%
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%

CITY OF DEVILS LAKE

Schedule of Employer's Share of Net Pension Liability and Employer Contributions - Continued
 For the Year Ended December 31, 2021

	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					
2021	0.006538%	\$ 68,150	\$ 74,040	92.04%	78.26%
2020	0.006582%	207,063	72,604	285.19%	48.91%
2019	0.006032%	70,695	62,739	112.68%	71.66%
2018	0.005411%	91,320	55,590	164.27%	62.80%
2017	0.004599%	73,918	46,947	157.45%	61.98%
2016	0.005115%	49,850	51,547	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%

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 - Continued
 For the Year Ended December 31, 2021

**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					
2021	\$ 100,553	\$ 101,737	\$ (1,185)	\$ 1,577,232	6.45%
2020	94,476	95,400	(924)	1,363,504	7.00%
2019	83,931	81,971	1,960	1,152,817	7.11%
2018	75,319	71,949	3,370	1,022,595	7.04%
2017	62,901	63,312	(411)	867,456	7.30%
2016	54,033	49,149	4,884	746,332	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					
2021	\$ 77,526	\$ 85,106	\$ (7,580)	\$ 1,134,662	7.50%
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					
2021	\$ 5,460	\$ 5,525	\$ (64)	\$ 85,646	6.45%
2020	5,141	5,191	(50)	72,604	7.15%
2019	4,568	4,461	107	62,739	7.11%
2018	4,094	3,911	183	55,590	7.04%
2017	3,404	3,426	(22)	46,947	7.30%
2016	3,732	3,395	337	51,547	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, 2021

**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
2021	0.194639%	\$ 108,253	\$ 2,122,060	5.10%	78.26%
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
2021	0.010569%	\$ 5,878	\$ 115,231	5.10%	78.26%
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, 2021

**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
2021	\$ 25,518	\$ 26,156	\$ (637)	\$ 2,653,453	0.99%
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
2021	\$ 1,386	\$ 1,423	\$ (38)	\$ 144,087	0.99%
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, 2021

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: SCHEDULE OF EMPLOYER 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, information will be presented for those years for which information is available.

NOTE 3: CHANGES OF BENEFIT TERMS – PENSION AND OPEB

Pension

The interest rate earned on member contributions decreased from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System increased from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

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, 2020.

NOTE 4: CHANGES OF ASSUMPTIONS – PENSION AND OPEB

Pension

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

OPEB

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

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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, 2021, 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 February 29, 2024.

Report on 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) as a basis for designing 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *schedule of audit findings*, we did identify certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2021-001 and 2021-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *schedule of audit findings* as item 2021-003 to be a significant deficiency.

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

Report on 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*.

City of Devils Lake's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on City of Devils Lake's response to the findings identified in our audit and described in the accompanying *schedule of audit findings*. City of Devils Lake's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
February 29, 2024

CITY OF DEVILS LAKE
Summary of Auditor's Results
For the Year Ended December 31, 2021

Financial Statements

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

Internal control over financial reporting

Material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Noted
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Noted

CITY OF DEVILS LAKE

Schedule of Audit Findings

For the Year Ended December 31, 2021

2021-001 AUDIT ADJUSTMENTS – MATERIAL WEAKNESS

Condition

During the audit of the City of Devils Lake, we proposed adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP) The adjustments were approved by management and are reflected in the financial statements.

Effect

There is an increased risk of material misstatement to the City of Devils Lake's financial statements.

Cause

The City of Devils Lake may not have properly executed their procedures in place to ensure the financial statements are complete and accurate

Criteria

The City of Devils Lake is responsible for the preparation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

Prior Recommendation

No.

Recommendation

We recommend the City of Devils Lake review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with GAAP.

City of Devils Lake's Response

Agree. The City experience a lot of turnover in its Finance Dept. in 2022 and the team that closed out FY 2021 was not the same team that executed the December 2021 and January 2022 payables and receivables. The majority of the adjusting entries revolve around the correct communication of accounts payable and accounts receivable at the end of FY 2021. The City will review its procedures for the preparation of financial statements.

2021-002 AUDIT ADJUSTMENTS – AIRPORT AUTHORITY– MATERIAL WEAKNESS

Condition

During the audit of the Devils Lake Airport Authority, we proposed adjusting entries to the financial statements in accordance with generally accepted accounting principles (GAAP) The adjustments were approved by management and are reflected in the financial statements.

Effect

There is an increased risk of material misstatement to the Devils Lake Airport Authority’s financial statements.

Cause

The Devils Lake Airport Authority may not have properly executed their procedures in place to ensure the financial statements are complete and accurate

Criteria

The Devils Lake Airport Authority is responsible for the preparation of its financial statements and related note disclosures to ensure it is reliable, accurate, free of material misstatement, and in accordance with GAAP.

Prior Recommendation

No.

Recommendation

We recommend the Devils Lake Airport Authority review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with GAAP.

Devils Lake Airport Authority’s Response

Agree. The Airport Authority and City experienced a lot of turnover in 2022 and the team that closed out FY 2021 was not the same team that executed the December 2021 and January 2022 payables and receivables. The majority of the adjusting entries revolve around the correct communication of accounts payable and accounts receivable at the end of FY 2021. The Airport Authority and City will review its procedures for the preparation of financial statements.

2021-003 LACK OF SUPPORTING DOCUMENTATION – SIGNIFICANT DEFICIENCY

Condition

The City of Devils Lake was not able to provide supporting documentation for five expenditures requested totaling \$109,712 during testing of accounts payable.

We were able to perform alternate procedures to verify that the checks were correctly classified or not classified as an accounts payable, which resulted in no adjustments to the financial statements.

Effect

The City of Devils Lake may be subject to an increased risk of errors, fraudulent financial reporting, asset misappropriation, and corruption.

Cause

The City of Devils Lake may not have properly executed their procedures in place to ensure supporting documentation is maintained for all expenditures.

Criteria

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) model defines internal control as a process designed to provide reasonable assurance of the achievement of objectives that involve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pertaining to supporting documentation, management is responsible for adequate internal controls surrounding the review process and without supporting documentation, the review process will not be effective.

Prior Recommendation

No.

Recommendation

We recommend the City of Devils Lake revisit and review their policies and procedures to ensure supporting documentation is maintained for all expenditures.

City of Devils Lake’s Response

Agree. The City finance team experienced a lot of turnover in 2022 and the team that executed FY 2021 was not the same team that closed out the year’s financials. The new team was not able to provide support documentation for five expenditures through the audit process but did independently verify the expenses werer correctly classified. There is a likelihood that documentation was kept properly but unable to be retrieved by the new team. The City will revisit and review its policies and procedures to ensure supporting documentation is maintained for all expenses.

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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 discretely presented component unit, and the aggregate remaining fund information of City of Devils Lake, North Dakota, for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under general accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 28, 2023. Professional standards also require that we communicate to you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Devils Lake are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered into by City of Devils Lake during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives capital assets in determining that is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

<u>Governmental Funds</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>		<u>Debit</u>	<u>Credit</u>
	<u>General Fund</u>		<u>Special Revenue Fund</u>			<u>Government Wide</u>	
<u>To Adjust Payable Amounts</u>							
Expenditures	18,036	-	150	-		18,186	-
Accounts Payable	-	18,036	-	150		-	18,186

<u>Governmental Funds</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
	<u>Water Fund</u>		<u>Sewer Fund</u>		<u>Sanitation Fund</u>		<u>Total Enterprise Funds</u>	
<u>To Adjust Payable Amounts</u>								
Expenditures	2,740	-	2,262	-	810	-	5,812	-
Accounts Payable	-	2,740	-	2,262	-	810	-	5,812

The following material misstatements detected as a result of audit procedures were corrected by management.

<u>Governmental Funds</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
	<u>General Fund</u>		<u>Special Revenue Fund</u>		<u>Debt Service Fund</u>		<u>Capital Projects Fund</u>		<u>Government Wide</u>	
<u>To Adjust Payable Amounts</u>										
Salaries Payable	115,502	-	3,453	-	-	-	-	-	118,955	-
Accounts Payable	6,839	-	-	-	-	-	-	-	6,839	-
Expenditures	-	-	1,267	-	-	-	-	-	1,267	-
Accounts Payable	-	-	-	2,186	-	-	-	-	-	2,186
Expenditures	-	122,341	-	-	-	-	-	-	-	122,341
<u>To Adjust Receivable Amounts</u>										
Accounts Receivable	25,783	-	-	-	-	-	-	-	25,783	-
Revenue	23,540	-	-	-	-	-	-	-	23,540	-
Utility Billings Receivable	-	2,243	-	-	-	-	-	-	-	2,243
<u>To Record Retainage Amounts</u>										
Expenditures	-	-	-	-	-	-	22,230	-	22,230	-
Retainage Payable PPA	-	-	-	-	-	-	66,235	-	66,235	-
Beginning Fund Balance	-	-	-	-	-	-	-	66,235	-	66,235
Retainage Payable	-	-	-	-	-	-	-	22,230	-	22,230
<u>To Record Loan Receivable Amounts</u>										
Loan Receivable	-	-	828,691	-	-	-	-	-	828,691	-
Miscellaneous Revenue	-	-	128,029	-	-	-	-	-	128,029	-
Expenditures	-	-	-	50,000	-	-	-	-	-	50,000
Beginning Fund Balance	-	-	-	906,720	-	-	-	-	-	906,720
<u>To Record Economic Loan Payable Amounts</u>										
Beginning Net Position	-	-	-	-	-	-	-	-	283,374	-
Expenditures	-	-	-	-	-	-	-	-	-	63,570
Economic Loan Payable	-	-	-	-	-	-	-	-	-	174,804
<u>To Record Capital Asset Adjustments</u>										
Capital Assets, Net	-	-	-	-	-	-	-	-	454,705	-
Loss on Sale of Capital Assets	-	-	-	-	-	-	-	-	104	-
Expenditures	-	-	-	-	-	-	-	-	-	122,109
Capital Contributions	-	-	-	-	-	-	-	-	-	332,700

CITY OF DEVILS LAKE
 Governance Communication – Continued

<u>Enterprise Funds</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
	<u>Water Fund</u>		<u>Water Source Replacement Fund</u>		<u>Sewer Fund</u>		<u>Sanitation Fund</u>		<u>Total Enterprise Funds</u>	
<u>To Adjust Payable Amounts</u>										
Salaries Payable	9,350	-	-	-	16,602	-	25,299	-	51,251	-
Accounts Payable	51,315	-	-	-	-	-	948	-	52,263	-
Expenditures	-	-	-	-	-	15,154	-	-	-	15,154
Accounts Payable	-	-	-	-	-	1,448	-	-	-	1,448
Expenditures	-	60,665	-	-	-	-	-	26,247	-	86,912
<u>To Adjust Receivable Amounts</u>										
Utility Billings Receivable	-	-	847	-	-	-	-	-	847	-
Revenue	50,177	-	-	-	8,601	-	22,279	-	81,057	-
Revenue	-	-	-	847	-	-	-	-	-	847
Utility Billings Receivable	-	50,177	-	-	-	8,601	-	22,279	-	81,057
<u>To Record Capital Asset Adjustments</u>										
Capital Assets, Net	33,250	-	-	-	18,857	-	14,143	-	66,250	-
Expenditures	-	33,250	-	-	-	18,857	-	14,143	-	66,250
<u>Airport</u>										
<u>To Adjust Payable Amounts</u>										
Payroll Liability	10,181	-	-	-	-	-	-	-	-	-
Expenditures	71,939	-	-	-	-	-	-	-	-	-
Accounts Payable	-	82,120	-	-	-	-	-	-	-	-
<u>To Adjust Receivable Amounts</u>										
Accounts Receivable	8,951	-	-	-	-	-	-	-	-	-
Intergovernmental Receivable	58,038	-	-	-	-	-	-	-	-	-
Revenue	-	66,989	-	-	-	-	-	-	-	-
<u>To Record Capital Asset Adjustments</u>										
Capital Assets, Net	126,583	-	-	-	-	-	-	-	-	-
Expenditures	-	126,583	-	-	-	-	-	-	-	-

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 February 29, 2024.

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.

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.

Other Matters

We applied certain limited procedures to the *budgetary comparison information, 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 notes to the required supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restrictions on Use

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 the City of Devils Lake.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota
February 29, 2024



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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