



City of Devils Lake
Devils Lake, North Dakota

Audit Report

For the Year Ended December 31, 2015

ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor
Division of Local Government

CITY OF DEVILS LAKE
Devils Lake, North Dakota

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CITY OF DEVILS LAKE
Devils Lake, North Dakota

CITY OFFICIALS

As of December 31, 2015

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

AIRPORT OFFICIALS

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

STATE AUDITOR

ROBERT R. PETERSON
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Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

City Commission
City of Devils Lake
Devils Lake, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Devils Lake, North Dakota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Devils Lake, North Dakota, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 31 to the financial statements, the City of Devils Lake adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension schedules, and the notes to the required supplementary information* on pages 37-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

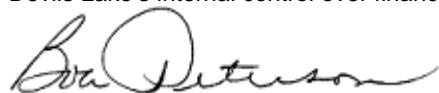
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2016 on our consideration of the City of Devils Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Devils Lake's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 26, 2016

CITY OF DEVILS LAKE
 Devils Lake, North Dakota
 STATEMENT OF NET POSITION
 December 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Airport
ASSETS				
Cash and Investments	\$ 8,453,805	\$ 1,512,330	\$ 9,966,135	\$ 105,552
Cash with Fiscal Agent	2,733,470	-	2,733,470	-
Utility Billings Receivable	13,732	241,294	255,026	-
Accounts Receivable	20,551	130,535	151,086	3,619
Intergovernmental Receivable	385,158	18,669	403,827	16,636
Due from County	3,361	-	3,361	-
Prepaid Expense	42,198	-	42,198	-
Taxes Receivable	32,671	-	32,671	1,047
Special Assessments Receivable	5,764	-	5,764	-
Loans Receivable	2,063,140	-	2,063,140	-
Other Asset	268	-	268	-
Long-Term Receivable:				
Uncertified Special Assessments Receivable	1,215,028	-	1,215,028	-
Capital Assets:				
<i>Not Being Depreciated</i>				
Land	3,300,543	218,289	3,518,832	652,089
Construction in Progress	204,812,171	-	204,812,171	2,378,261
<i>Being Depreciated</i>				
Buildings	1,120,280	291,417	1,411,697	1,676,932
Equipment and Vehicles	1,039,881	727,138	1,767,019	786,622
Infrastructure	38,724,949	22,941,986	61,666,935	16,735,898
Total Capital Assets	<u>\$ 248,997,824</u>	<u>\$ 24,178,830</u>	<u>\$ 273,176,654</u>	<u>\$ 22,229,802</u>
Total Assets	<u>\$ 263,966,970</u>	<u>\$ 26,081,658</u>	<u>\$ 290,048,628</u>	<u>\$ 22,356,656</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pensions	<u>\$ 275,428</u>	<u>\$ 80,009</u>	<u>\$ 355,437</u>	<u>\$ 19,378</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 264,242,398</u>	<u>\$ 26,161,667</u>	<u>\$ 290,404,065</u>	<u>\$ 22,376,034</u>
LIABILITIES				
Accounts Payable	\$ 154,705	\$ 97,564	\$ 252,269	\$ 128,244
Retainage Payable	36,358	-	36,358	20,638
IBNR Payable	55,000	-	55,000	-
Interest Payable	110,504	20,958	131,462	-
Long-Term Liabilities:				
Portion Due or Payable Within One Year:				
Sales Tax Bonds Payable	110,000	-	110,000	-
Revenue Bond Drawdowns	-	175,000	175,000	-
Special Assessment Bonds Payable	835,000	-	835,000	-
Contract for Deed	36,827	-	36,827	-
Capital Leases Payable	109,167	-	109,167	-
Compensated Absences Payable	142,449	52,335	194,784	15,231
Portion Due or Payable After One Year:				
Sales Tax Bonds Payable	4,845,000	-	4,845,000	-
Revenue Bond Drawdowns	-	2,340,000	2,340,000	-
Special Assessment Bonds Payable	8,935,000	-	8,935,000	-
Contract for Deed	240,102	-	240,102	-
Capital leases Payable	116,151	-	116,151	-
Compensated Absences Payable	332,381	122,117	454,498	35,539
Net Pension Liability	338,106	98,217	436,323	23,788
Total Liabilities	<u>\$ 16,396,750</u>	<u>\$ 2,906,191</u>	<u>\$ 19,302,941</u>	<u>\$ 223,440</u>
DEFERRED INFLOWS OF RESOURCES:				
Pensions	<u>\$ 38,786</u>	<u>\$ 11,268</u>	<u>\$ 50,054</u>	<u>\$ 2,729</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 16,435,536</u>	<u>\$ 2,917,459</u>	<u>\$ 19,352,995</u>	<u>\$ 226,169</u>
NET POSITION				
Net Investment in Capital Assets	\$ 233,770,577	\$ 24,178,830	\$ 257,949,407	\$ 22,229,802
Restricted for:				
Debt Service	2,821,265	-	2,821,265	-
Capital Projects	2,098,793	-	2,098,793	-
General Government	2,123,593	-	2,123,593	-
Public Works	1,319,607	-	1,319,607	-
Emergencies	1,436	-	1,436	-
Economic/Job Development	2,544,543	-	2,544,543	-
Culture and Recreation	105,509	-	105,509	-
Conservation of Natural Resources	6,019	-	6,019	-
Unrestricted	3,015,520	(934,622)	2,080,898	(79,937)
Total Net Position	<u>\$ 247,806,862</u>	<u>\$ 23,244,208</u>	<u>\$ 271,051,070</u>	<u>\$ 22,149,865</u>

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Airport
		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	\$ 2,565,348	\$ 354,013	\$ 7,360	\$ -	\$ (2,203,975)		\$ (2,203,975)	
Public Safety	2,667,334	1,066	37,711	30,506	(2,598,051)		(2,598,051)	
Public Works	5,358,919	269,170	459,843	344,221	(4,285,685)		(4,285,685)	
Flood Prevention	-	-	-	13,286,769	13,286,769		13,286,769	
Economic Development	388,401	-	-	-	(388,401)		(388,401)	
Culture and Recreation	223,238	6,362	12,073	-	(204,803)		(204,803)	
Conserv. of Natural Resources	79,096	-	824	-	(78,272)		(78,272)	
Health and Welfare	14,843	-	-	-	(14,843)		(14,843)	
Other	25,471	8,205	9,834	-	(7,432)		(7,432)	
Interest & Fees on Long-Term Debt	462,994	-	-	-	(462,994)		(462,994)	
Total Governmental Activities	\$ 11,785,644	\$ 638,816	\$ 527,645	\$ 13,661,496	\$ 3,042,313		\$ 3,042,313	
Business-Type Activities:								
Water Operations	\$ 1,418,757	\$ 845,272	\$ -	\$ -	\$ -	\$ (573,485)	\$ (573,485)	
Water Source Replacement	79,133	266,781	-	-	-	187,648	-	
Sewer	952,163	569,103	-	-	-	(383,060)	-	
Sanitation	1,281,148	1,642,017	5,000	-	-	365,869	-	
Other Enterprise Funds	-	166	-	-	-	166	166	
Total Business-Type Activities	\$ 3,731,201	\$ 3,323,339	\$ 5,000	\$ -	\$ -	\$ (402,862)	\$ (573,319)	
Total Primary Government	\$ 15,516,845	\$ 3,962,155	\$ 532,645	\$ 13,661,496	\$ 3,042,313	\$ (402,862)	\$ 2,468,994	
Component Unit:								
Airport	\$ 146,154	\$ 166,492	\$ 193,112	\$ 2,500,921				\$ 2,714,371
General Revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 2,324,337	\$ -	\$ 2,324,337	\$ 118,849
Property taxes, levied for special purposes					414,468	-	414,468	-
Property taxes, levied for Debt Service					262,376	-	-	-
Sales taxes					1,701,436	309,352	2,010,788	-
Non restricted grants and contributions					803,825	-	803,825	-
Unrestricted investment earnings					15,314	186	15,500	-
Sale of Capital Assets					5,987	-	5,987	-
Miscellaneous					786,591	19,366	805,957	114,643
Transfers- Enterprise (Net)					1,104,959	(1,104,959)	-	-
Total General Revenues and Transfers					\$ 7,419,293	\$ (776,055)	\$ 6,380,862	\$ 233,492
Changes in Net Position					\$ 10,461,606	\$ (1,178,917)	\$ 9,282,689	\$ 2,947,863
Net Position - January 1					\$ 237,407,758	\$ 24,441,281	\$ 261,849,039	\$ 19,206,399
Prior Period Adjustments					(62,502)	(18,156)	(80,658)	(4,397)
Net Position - January 1, as restated					\$ 237,345,256	\$ 24,423,125	\$ 261,768,381	\$ 19,202,002
Net Position - December 31					\$ 247,806,862	\$ 23,244,208	\$ 271,051,070	\$ 22,149,865

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	General Fund	Lake Region Growth Fund	Infrastructure	Capital Project Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Investments	\$ 185,676	\$ 415,754	\$ -	\$ 3,267,475	\$ 1,699,388	\$ 2,502,776	\$ 8,071,069
Cash with Fiscal Agent	-	-	-	2,733,470	-	-	2,733,470
Accounts Receivable	18,551	-	-	-	-	2,000	20,551
Utility Billings Receivable	13,732	-	-	-	-	-	13,732
Intergovernmental Receivable	240,722	-	74,675	-	9,334	60,427	385,158
Due from County	2,415	-	-	-	221	725	3,361
Taxes Receivable	21,905	-	-	-	2,504	8,262	32,671
Special Assessments Receivable	-	-	-	-	5,764	-	5,764
Uncertified Special Assessments Receivable	-	-	-	-	1,215,028	-	1,215,028
Loans Receivable	-	2,063,140	-	-	-	-	2,063,140
Advance from Other Funds	24,879	-	-	-	-	-	24,879
Other Asset	268	-	-	-	-	-	268
Due from Other Funds	2,774,205	-	1,087,658	-	-	-	3,861,863
Total Assets	\$ 3,282,353	\$ 2,478,894	\$ 1,162,333	\$ 6,000,945	\$ 2,932,239	\$ 2,574,190	\$ 18,430,954
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
<u>Liabilities:</u>							
Accounts Payable	\$ 66,936	\$ -	\$ 58,092	\$ 3,931	\$ 470	\$ 25,276	\$ 154,705
Advance to Other Funds	-	-	-	-	-	24,879	24,879
Due to Other Funds	-	-	-	3,861,863	-	-	3,861,863
Total Liabilities	\$ 66,936	\$ -	\$ 58,092	\$ 3,865,794	\$ 470	\$ 50,155	\$ 4,041,447
<u>Deferred Inflows of Resources:</u>							
Uncollected Taxes Receivable	\$ 21,905	\$ -	\$ -	\$ -	\$ 2,504	\$ 8,262	\$ 32,671
Uncollected Special Assessments Receivable	-	-	-	-	5,764	-	5,764
Uncertified Special Assessments Receivable	-	-	-	-	1,215,028	-	1,215,028
Total Deferred Inflows of Resources	\$ 21,905	\$ -	\$ -	\$ -	\$ 1,223,296	\$ 8,262	\$ 1,253,463
Total Liabilities & Deferred Inflows of Resources	\$ 88,841	\$ -	\$ 58,092	\$ 3,865,794	\$ 1,223,766	\$ 58,417	\$ 5,294,910
<u>Fund Balances:</u>							
<u>Non-Spendable:</u>							
Loans Receivable	\$ -	\$ 2,063,140	\$ -	\$ -	\$ -	\$ -	\$ 2,063,140
Advances	24,879	-	-	-	-	-	24,879
<u>Restricted:</u>							
Debt Service	-	-	-	-	1,708,473	-	1,708,473
Capital Projects Funds	-	-	-	2,135,151	-	-	2,135,151
General Government	-	-	-	-	-	2,108,693	2,108,693
Public Works/Streets	-	-	1,104,241	-	-	246,020	1,350,261
Emergency	-	-	-	-	-	106	106
Economic Development	-	415,754	-	-	-	64,602	480,356
Culture & Recreation	-	-	-	-	-	93,301	93,301
Conservation of Natural Resources	-	-	-	-	-	5,322	5,322
<u>Committed:</u>							
Asset Forfeiture Buy Fund	-	-	-	-	-	2,815	2,815
City Beautification	-	-	-	-	-	13,530	13,530
<u>Unassigned:</u>							
General Fund	3,168,633	-	-	-	-	-	3,168,633
Negative Fund Balances	-	-	-	-	-	(18,616)	(18,616)
Total Fund Balances	\$ 3,193,512	\$ 2,478,894	\$ 1,104,241	\$ 2,135,151	\$ 1,708,473	\$ 2,515,773	\$ 13,136,044
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,282,353	\$ 2,478,894	\$ 1,162,333	\$ 6,000,945	\$ 2,932,239	\$ 2,574,190	\$ 18,430,954

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2015

Total <i>Fund Balances</i> for Governmental Funds		\$ 13,136,044
Total <i>net position</i> reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Capital Assets	\$ 289,385,701	
Less Accumulated Depreciation	<u>(40,387,877)</u>	
Net Capital Assets		248,997,824
Property taxes and special assessments will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.		
Property Taxes	\$ 32,671	
Special Assessments	5,764	
Long-Term Uncertified Special Assessments	<u>1,215,028</u>	1,253,463
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.		
		369,934
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Pension Deferred Inflows of Resources	\$ (38,786)	
Pension Deferred Outflows of Resources	<u>275,428</u>	236,642
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net position. Balances at December 31, 2015 are:		
Special Assessment Bonds Payable	\$ (9,770,000)	
Sales Tax Bonds Payable	(4,955,000)	
Contract for Deed	(276,929)	
Capital Leases Payable	(225,318)	
Retainage Payable	(36,358)	
Interest Payable	(110,504)	
Compensated Absences	(474,830)	
Net Pension Liability	<u>(338,106)</u>	
Total Long-Term Liabilities		<u>(16,187,045)</u>
Total Net Position of Governmental Activities		<u>\$ 247,806,862</u>

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General Fund	Lake Region Growth Fund	Infrastructure	Capital Project Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 2,319,584	\$ -	\$ -	\$ -	\$ 262,756	\$ 412,679	\$ 2,995,019
Special Assessment Taxes	-	-	-	-	395,432	12,820	408,252
Sales Taxes	-	-	1,237,409	-	154,676	309,351	1,701,436
Licenses, Permits and Fees	102,400	-	-	-	-	-	102,400
Charges for Services	256,955	-	-	6,851	-	56,259	320,065
Intergovernmental	803,667	-	-	57,173	-	470,630	1,331,470
Fines, Forfeitures and Penalties	216,351	-	-	-	-	-	216,351
Interest	3,480	4,163	-	-	-	7,671	15,314
Miscellaneous	143,319	-	-	599,349	1,169	42,754	786,591
Total Revenues	\$ 3,845,756	\$ 4,163	\$ 1,237,409	\$ 663,373	\$ 814,033	\$ 1,312,164	\$ 7,876,898
Expenditures:							
Current:							
General Government	\$ 2,069,608	\$ -	\$ 129,440	\$ -	\$ 5,810	\$ 256,819	\$ 2,461,677
Public Safety	2,351,412	-	-	-	-	45,071	2,396,483
Public Works	580,123	-	279,720	-	-	394,656	1,254,499
Economic Development	-	261,203	-	-	-	127,198	388,401
Culture and Recreation	27,100	-	-	-	-	192,018	219,118
Conservation of Natural Resources	-	-	-	-	-	79,096	79,096
Health and Welfare	14,843	-	-	-	-	-	14,843
Other	25,471	-	-	-	-	-	25,471
Capital Outlay	22,861	-	24,162	4,790,198	-	24,647	4,861,868
Debt Service:							
Principal	106,511	35,410	-	-	935,000	-	1,076,921
Interest	8,832	12,494	-	-	262,973	2,429	286,728
Total Expenditures	\$ 5,206,761	\$ 309,107	\$ 433,322	\$ 4,790,198	\$ 1,203,783	\$ 1,121,934	\$ 13,065,105
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,361,005)	\$ (304,944)	\$ 804,087	\$ (4,126,825)	\$ (389,750)	\$ 190,230	\$ (5,188,207)
Other Financing Sources (Uses):							
Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 4,835,000	\$ -	\$ 4,835,000
Bond Premium	-	-	-	-	44,242	-	44,242
Bond Issuance Costs	-	-	-	-	(182,235)	-	(182,235)
Sale of Capital Assets	-	-	-	-	5,987	-	5,987
Transfers In	1,490,697	232,318	-	4,400,616	831,538	394,282	7,349,451
Transfers Out	(18,920)	(26,200)	(617,452)	(570,657)	(4,386,801)	(624,581)	(6,244,611)
Total Other Financing Sources and Uses	\$ 1,471,777	\$ 206,118	\$ (617,452)	\$ 3,829,959	\$ 1,147,731	\$ (230,299)	\$ 5,807,834
Net Change in Fund Balances	\$ 110,772	\$ (98,826)	\$ 186,635	\$ (296,866)	\$ 757,981	\$ (40,069)	\$ 619,627
Fund Balance - January 1	\$ 3,082,740	\$ 2,577,720	\$ 917,606	\$ 2,432,017	\$ 950,492	\$ 2,555,842	\$ 12,516,417
Fund Balance - December 31	\$ 3,193,512	\$ 2,478,894	\$ 1,104,241	\$ 2,135,151	\$ 1,708,473	\$ 2,515,773	\$ 13,136,044

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Net Change in *Fund Balances* - Total Governmental Funds \$ 619,627

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay, transfers, and capital contributions exceeded depreciation in the current period.

Current Year Capital Outlay	\$ 2,676,569	
Capital Contribution	13,317,275	
Transfer from Enterprise	119	
Current Year Depreciation Expense	<u>(2,122,545)</u>	13,871,418

In the statement of activities, only the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position. (38,435)

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	\$ (46,630)	
Net Change in Retainage Payable	23,056	
Net Change in Interest Payable	<u>(38,273)</u>	(61,847)

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 Pension Liability	\$ (251,889)	
Net Change in Deferred Inflows of Resources for Pensions	(21,956)	
Net Change in Deferred Outflows of Resources for Pensions	<u>234,883</u>	(38,962)

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

Issuance of Long-Term Debt- Bonds	\$ (4,835,000)	
Repayment of Long-Term Debt	<u>1,076,921</u>	(3,758,079)

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

Net Change in Taxes Receivable	\$ 6,162	
Net Change in Special Assessments Receivable	(6,208)	
Net Change in Uncertified Special Assessments Receivable	<u>(57,823)</u>	(57,869)

The net income of certain activities of the internal service fund is reported with governmental activities. (74,247)

Change in net position of Governmental Activities \$ 10,461,606

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Water Fund	Water Source Replacement Fund	Sewer Fund	Sanitation Fund	Other Enterprise Funds		
ASSETS:							
<u>Current Assets:</u>							
Cash and Investments	\$ 180,627	\$ 146,072	\$ 549,929	\$ 627,274	\$ 8,428	\$ 1,512,330	\$ 382,736
Utility Billings Receivable	47,617	25,407	42,643	125,594	33	241,294	-
Accounts Receivable	117,139	-	13,396	-	-	130,535	-
Intergovernmental Receivables	-	-	18,669	-	-	18,669	-
Prepaid Expense	-	-	-	-	-	-	42,198
Total Current Assets	<u>\$ 345,383</u>	<u>\$ 171,479</u>	<u>\$ 624,637</u>	<u>\$ 752,868</u>	<u>\$ 8,461</u>	<u>\$ 1,902,828</u>	<u>\$ 424,934</u>
<u>Noncurrent Assets:</u>							
<i>Capital Assets Not Being Depreciated</i>							
Land	\$ 122,184	-	\$ 17,151	\$ 78,954	-	\$ 218,289	-
<i>Capital Assets Being Depreciated</i>							
Buildings	-	-	223,518	67,899	-	291,417	-
Equipment and Vehicles	104,743	-	103,543	518,852	-	727,138	-
Infrastructure	17,819,082	-	4,667,915	454,989	-	22,941,986	-
Total Noncurrent Assets	<u>\$ 18,046,009</u>	<u>\$ -</u>	<u>\$ 5,012,127</u>	<u>\$ 1,120,694</u>	<u>\$ -</u>	<u>\$ 24,178,830</u>	<u>\$ -</u>
Total Assets	<u>\$ 18,391,392</u>	<u>\$ 171,479</u>	<u>\$ 5,636,764</u>	<u>\$ 1,873,562</u>	<u>\$ 8,461</u>	<u>\$ 26,081,658</u>	<u>\$ 424,934</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>							
Pensions	\$ 15,657	-	\$ 21,314	\$ 43,038	-	\$ 80,009	-
Total Assets & Deferred Outflows of Resources	<u>\$ 18,407,049</u>	<u>\$ 171,479</u>	<u>\$ 5,658,078</u>	<u>\$ 1,916,600</u>	<u>\$ 8,461</u>	<u>\$ 26,161,667</u>	<u>\$ 424,934</u>
LIABILITIES:							
<u>Current Liabilities:</u>							
Accounts Payable	\$ 27,430	-	\$ 27,568	\$ 42,566	-	\$ 97,564	-
Accrued Interest Payable	-	20,958	-	-	-	20,958	-
Revenue Drawdown	-	175,000	-	-	-	175,000	-
Compensated Absences	10,645	-	18,884	22,806	-	52,335	-
IBNR Claims	-	-	-	-	-	-	55,000
Total Current Liabilities	<u>\$ 38,075</u>	<u>\$ 195,958</u>	<u>\$ 46,452</u>	<u>\$ 65,372</u>	<u>\$ -</u>	<u>\$ 345,857.00</u>	<u>\$ 55,000</u>
<u>Noncurrent Liabilities:</u>							
Revenue Drawdown	-	\$ 2,340,000	-	-	-	\$ 2,340,000	-
Compensated Absences	24,839	-	44,064	53,214	-	122,117	-
Net Pension Liability	19,220	-	26,165	52,832	-	98,217	-
Total Noncurrent Liabilities	<u>\$ 44,059</u>	<u>\$ 2,340,000</u>	<u>\$ 70,229</u>	<u>\$ 106,046</u>	<u>\$ -</u>	<u>\$ 2,560,334</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 82,134</u>	<u>\$ 2,535,958</u>	<u>\$ 116,681</u>	<u>\$ 171,418</u>	<u>\$ -</u>	<u>\$ 2,906,191</u>	<u>\$ 55,000</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>							
Pensions	\$ 2,205	-	\$ 3,002	\$ 6,061	-	\$ 11,268	-
Total Liabilities & Deferred Inflows of Resources	<u>\$ 84,339</u>	<u>\$ 2,535,958</u>	<u>\$ 119,683</u>	<u>\$ 177,479</u>	<u>\$ -</u>	<u>\$ 2,917,459</u>	<u>\$ 55,000</u>
NET POSITION:							
Net Investment in Capital Assets	\$ 18,046,009	-	\$ 5,012,127	\$ 1,120,694	-	\$ 24,178,830	-
Unrestricted	276,701	(2,364,479)	526,268	618,427	8,461	(934,622)	369,934
Total Net Position	<u>\$ 18,322,710</u>	<u>\$ (2,364,479)</u>	<u>\$ 5,538,395</u>	<u>\$ 1,739,121</u>	<u>\$ 8,461</u>	<u>\$ 23,244,208</u>	<u>\$ 369,934</u>

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	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	\$ 845,272	\$ 266,781	\$ 569,103	\$ 1,642,017	\$ 166	\$ 3,323,339	\$ -
Contributions to Self Insurance	-	-	-	-	-	-	852,222
Total Operating Revenues	\$ 845,272	\$ 266,781	\$ 569,103	\$ 1,642,017	\$ 166	\$ 3,323,339	\$ 852,222
Operating Expenses:							
Operating Expenses	\$ 455,040	\$ -	\$ 553,407	\$ 672,512	\$ -	\$ 1,680,959	\$ -
Warwick Wells	40,214	-	-	-	-	40,214	-
Inert Landfill	-	-	-	28,525	-	28,525	-
Transfer Station	-	-	-	441,146	-	441,146	-
Health Insurance	-	-	-	-	-	-	955,740
Airport Lot Rent	8,334	-	8,334	6,666	-	23,334	-
Depreciation	915,169	-	390,422	132,299	-	1,437,890	-
Total Operating Expenses	\$ 1,418,757	\$ -	\$ 952,163	\$ 1,281,148	\$ -	\$ 3,652,068	\$ 955,740
Operating Income (Loss)	\$ (573,485)	\$ 266,781	\$ (383,060)	\$ 360,869	\$ 166	\$ (328,729)	\$ (103,518)
Nonoperating Revenues (Expenses):							
Investment Earnings	\$ 62	\$ -	\$ 62	\$ 62	\$ -	\$ 186	\$ 80
Intergovernmental	-	-	-	5,000	-	5,000	-
Sales and Use Tax	-	-	309,352	-	-	309,352	-
Other Nonoperating Revenues	3,148	-	16,218	-	-	19,366	29,191
Interest Expense and Service Charges	-	(79,133)	-	-	-	(79,133)	-
Total Nonoperating Revenues (Expenses)	\$ 3,210	\$ (79,133)	\$ 325,632	\$ 5,062	\$ -	\$ 254,771	\$ 29,271
Income (Loss) Before Contributions and Transfers	\$ (570,275)	\$ 187,648	\$ (57,428)	\$ 365,931	\$ 166	\$ (73,958)	\$ (74,247)
Transfers In	\$ -	\$ -	\$ -	\$ 60	\$ -	\$ 60	\$ -
Transfers Out	(318,544)	-	(342,188)	(444,287)	-	(1,105,019)	-
Change in Net Position	\$ (888,819)	\$ 187,648	\$ (399,616)	\$ (78,296)	\$ 166	\$ (1,178,917)	\$ (74,247)
Net Position - January 1	\$ 19,215,082	\$ (2,552,127)	\$ 5,942,848	\$ 1,827,183	\$ 8,295	\$ 24,441,281	\$ 444,181
Prior Period Adjustment	(3,553)	-	(4,837)	(9,766)	-	(18,156)	-
Net Position - January 1, As Restated	\$ 19,211,529	\$ (2,552,127)	\$ 5,938,011	\$ 1,817,417	\$ 8,295	\$ 24,423,125	\$ 444,181
Net Position - December 31	\$ 18,322,710	\$ (2,364,479)	\$ 5,538,395	\$ 1,739,121	\$ 8,461	\$ 23,244,208	\$ 369,934

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	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	\$ 726,232	\$ 266,065	\$ 574,806	\$ 1,640,293	\$ 166	\$ 3,207,562	\$ 833,752
Payments to Suppliers	(289,141)	-	(393,215)	(723,221)	-	(1,405,577)	(971,740)
Payments to Employees	(204,065)	-	(145,783)	(422,718)	-	(772,566)	-
Other Receipts	3,147	-	16,218	-	-	19,365	29,190
Net Cash Provided by Operating Activities	\$ 236,173	\$ 266,065	\$ 52,026	\$ 494,354	\$ 166	\$ 1,048,784	\$ (108,798)
Cash Flows from Noncapital Financing Activities:							
Transfers In	\$ -	\$ -	\$ -	\$ 60	\$ -	\$ 60	\$ -
Operating Grant	-	-	-	5,000	-	5,000	-
Sales Tax	-	-	317,318	-	-	317,318	-
Transfers Out	(318,484)	-	(342,129)	(444,287)	-	(1,104,900)	-
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (318,484)	\$ -	\$ (24,811)	\$ (439,227)	\$ -	\$ (782,522)	\$ -
Cash Flows from Capital and Related Financing Activities:							
Purchases and Construction of Capital Assets	\$ (6,500)	\$ -	\$ -	\$ (21,815)	\$ -	\$ (28,315)	\$ -
Principal Paid on Capital Debt	-	(170,000)	-	-	-	(170,000)	-
Interest and Fees Paid on Capital Debt	-	(80,549)	-	-	-	(80,549)	-
Net Cash (Used) by Capital and Related Financing Activities	\$ (6,500)	\$ (250,549)	\$ -	\$ (21,815)	\$ -	\$ (278,864)	\$ -
Cash Flows from Investing Activities:							
Interest Income	\$ 62	\$ -	\$ 61	\$ 63	\$ -	\$ 186	\$ 81
Net Increase (Decrease) in Cash & Cash Equivalents	\$ (88,749)	\$ 15,516	\$ 27,276	\$ 33,375	\$ 166	\$ (12,416)	\$ (108,717)
Cash and Cash Equivalents, January 1	\$ 269,376	\$ 130,556	\$ 522,653	\$ 593,899	\$ 8,262	\$ 1,524,746	\$ 491,453
Cash and Cash Equivalents, December 31	\$ 180,627	\$ 146,072	\$ 549,929	\$ 627,274	\$ 8,428	\$ 1,512,330	\$ 382,736
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities							
Operating Income (Loss)	\$ (573,485)	\$ 266,781	\$ (383,060)	\$ 360,869	\$ 166	\$ (328,729)	\$ (103,518)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:							
Depreciation Expense	\$ 915,169	\$ -	\$ 390,422	\$ 132,299	\$ -	\$ 1,437,890	\$ -
Non-operating revenues classified as cash inflows from operations	3,147	-	8,252	-	-	11,399	29,190
Change in Assets and Liabilities:							
Utility Billings Receivable	(1,901)	(716)	(1,316)	(1,724)	-	(5,657)	-
Accounts Receivable	(117,139)	-	7,019	-	-	(110,120)	-
Intergovernmental Receivables	-	-	7,966	-	-	7,966	-
Prepaid Expense	-	-	-	-	-	-	(18,470)
Accounts Payable	10,184	-	14,332	(8,696)	-	15,820	-
Compensated Absences	(2,017)	-	5,395	5,517	-	8,895	-
Net Pension	2,215	-	3,016	6,089	-	11,320	-
IBNR Claims	-	-	-	-	-	-	(16,000)
Net Cash Provided by Operating Activities	\$ 236,173	\$ 266,065	\$ 52,026	\$ 494,354	\$ 166	\$ 1,048,784	\$ (108,798)

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
December 31, 2015

	<u>Agency Fund</u>
<u>Assets:</u>	
Cash and Cash Equivalents	\$ 43,178
Accounts Receivable	<u>10,444</u>
Total Assets	<u>\$ 53,622</u>
<u>Liabilities:</u>	
Accounts Payable	\$ 9,554
Due to Other Entities	<u>44,068</u>
Total Liabilities	<u>\$ 53,622</u>

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The accompanying financial statements present the activities of the City of Devils Lake. The city has considered all potential component units for which the city is financially accountable and other organizations for which the nature and significance of their relationships with the city are such that exclusion would cause the city's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the City of Devils Lake to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City of Devils Lake.

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

COMPONENT UNIT

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

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

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

B. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

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

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

C. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the city's funds including its fiduciary funds and blended component unit. Separate statements for each fund category-*governmental, proprietary* and *fiduciary*-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The city reports the following major governmental funds:

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

Additionally, the city reports the following funds:

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

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

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

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

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

D. Cash, Cash Equivalents and Investments

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

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

E. Capital Assets

Capital assets include property, plant and equipment. Capital assets are reported in the governmental activities and the business-type activities columns in the government-wide financial statements, and are reported in the water fund, sewer fund, and sanitation fund in the enterprise fund statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired or constructed after July 1, 1980 are reported at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

F. Compensated Absences

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

G. Fund Balances and Net Position

Fund Balances:

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

Fund Balance Spending Policy:

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

Minimum Fund Balance Policy, Budget Stabilization, & Replenishing Deficiencies

It is the policy of the City of Devils Lake to maintain a minimum unassigned fund balance in the general fund of \$1,500,000. The unassigned general fund balance at 12-31-2015 was \$3,168,633. The minimum fund balance is designed to protect against cash flow shortfalls related to timing of projected revenues and to maintain a budget stabilization commitment.

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

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

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

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

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

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

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

TABLE CONTINUED ON NEXT PAGE.....

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

CONTINUED.....

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

The City of Devils Lake reports non-spendable, restricted, committed, and unassigned fund balances at December 31, 2015.

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

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

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

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

Net Position:

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

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

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

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

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

	REVENUES/TRANSFERS IN		
	Original Budget	Budget Amendment	Amended Budget
Major Funds:			
General Fund	\$ 5,142,246	\$ 307,012	\$ 5,449,258
Lake Region Growth Fund	306,000	(4,149)	301,851
Debt Service Fund	2,663,344	5,050,737	7,714,081
Capital Projects Fund	-	5,042,989	5,042,989
Non-Major Fund:			
Total Non-Major Funds	1,770,907	42,243	1,813,150
Internal Service Fund:			
Self-Insurance	844,500	36,991	881,491

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Budget Amendment	Amended Budget
Major Funds:			
General Fund	\$ 5,177,362	\$ 7,217	\$ 5,184,579
Lake Region Growth Fund	239,284	51,857	291,141
Debt Service Fund	2,624,266	4,077,302	6,701,568
Capital Projects Fund	-	2,764,807	2,764,807
Non-Major Fund:			
Total Non-Major Funds	1,673,316	218,921	1,892,237
Internal Service Fund:			
Self-Insurance	855,000	116,740	971,740

NOTE 3: DEPOSITS

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

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

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

At year ended December 31, 2015, the City's carrying amount of deposits was \$12,266,288 and the bank balances totaled \$12,295,859. Of the bank balances, \$567,965 was covered by Federal Depository Insurance. \$2,152,016 was held at the Bank of North Dakota, which are not required to provide security pledges. The remaining bank balances of \$9,575,878 were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

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

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

As of December 31, 2015, the city held certificates of deposit totaling \$1,709,768.

NOTE 4: CASH WITH FISCAL AGENT

For the Embankment Raise Project, monies have been held with fiscal agents during the construction of the infrastructure. The monies have only one purpose and that is to fund the project. The entities that have held the designated funds include the Bank of North Dakota (\$2,152,016), and Corp of Engineers (\$581,454).

NOTE 5: ACCOUNTS RECEIVABLE

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

NOTE 6: INTERGOVERNMENTAL RECEIVABLE

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

NOTE 7: UTILITY BILLINGS RECEIVABLE

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

NOTE 8: PREPAID EXPENSE

Prepaid expense is reported in the internal service fund totaling \$42,198 and in the net position statement for a negative payroll liability amount (overpayment for benefits).

NOTE 9: TAXES RECEIVABLE

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

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

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

NOTE 10: SPECIAL ASSESSMENTS RECEIVABLE

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

NOTE 11: LONG-TERM SPECIAL ASSESSMENTS RECEIVABLE

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

NOTE 12: LOANS RECEIVABLE

The City provides loans and grants to businesses for either startup costs or expansion costs. The Community Development Corporation (CDC) receives applications from various businesses. The CDC screens the applications then brings the applications to the governing board that either approves or denies the application. The city sets up a payment schedule with interest for the loans to be repaid. No allowance for doubtful loans has been set up as the city expects to collect 100%. The activity and balances related to these loans are reported in the Lake Region Growth Fund. The city has the following loan activity for the year ended December 31, 2015.

Name/Business	Beginning Balance January 1	Write-offs Adjustments	Payments	Ending Balance December 31
Pugsley's - \$50,000	\$ 41,392	\$ -	\$ 41,392	\$ -
Pugsley's - \$62,000	44,659	44,166	493	-
Goldade Processing	31,937	-	4,182	27,755
Jason Mitchell	1,977	-	1,290	687
Flatlander Foods Inc.	52,712	-	18,014	34,698
Ultra Green Packaging	2,000,000	-	-	2,000,000
Total Net Loans Receivable	\$ 2,172,677	\$ 44,166	\$ 65,371	\$ 2,063,140

NOTE 13: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions for differences in actual and expected experience and district contributions made subsequent to the measurement date.

NOTE 14: ACCOUNTS PAYABLE

Accounts payable consists of amounts owed to individuals and to entities for goods received and services rendered prior to December 31, 2015.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 15: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at December 31, 2015.

NOTE 16: DUE TO/FROM OTHER FUNDS

Due to/from other funds represents the amount of negative cash reported in various capital projects funds totaling \$3,861,863 covered by the general fund (\$2,774,205), and the infrastructure fund (\$1,087,658).

NOTE 17: ADVANCES DUE TO/FROM

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

Fund	Balance 1-1-15	Issued	Payments	Balance 12-31-15
Airport Hanger	\$48,574	\$ -	\$23,695	\$24,879

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

NOTE 18: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2015:

Governmental Activities:	Balance 1/1/2015	Increases	Transfers	Decreases	Balance 12/31/15
<i>Capital assets not being depreciated:</i>					
Land	\$ 3,239,356	\$ 83,265	\$ -	\$ 22,078	\$ 3,300,543
Construction in Progress	191,230,788	15,672,106	(2,090,724)		204,812,170
Total Capital Assets, Not Being Depreciated	\$ 194,470,144	\$15,755,371	\$ (2,090,724)	\$ 22,078	\$ 208,112,713
<i>Capital assets being depreciated:</i>					
Buildings	\$ 3,462,996	\$ 18,778	\$ -	\$ -	\$ 3,481,774
Equipment	4,354,494	126,926	-	93,610	4,387,810
Infrastructure	71,219,792	92,770	2,090,842	-	73,403,404
Total Capital Assets, Being Depreciated	\$ 79,037,282	\$ 238,474	\$ 2,090,842	\$ 93,610	\$ 81,272,988
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 2,273,429	\$ 88,065	\$ -	\$ -	\$ 2,361,494
Equipment	3,174,808	250,375	-	77,254	3,347,929
Infrastructure	32,894,349	1,784,105	-	-	34,678,454
Total Accumulated Depreciation	\$ 38,342,586	\$ 2,122,545	\$ -	\$ 77,254	\$ 40,387,877
Total Capital Assets Being Depreciated, Net	\$ 40,694,696	\$ (1,884,071)	\$ 2,090,842	\$ 16,356	\$ 40,885,111
Governmental Activities Capital Assets, Net	\$ 235,164,840	\$13,871,300	\$ 118	\$ 38,434	\$ 248,997,824

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

Governmental Activities:	Amounts
General Government	\$ 33,702
Public Safety	216,200
Public Works & Infrastructure	1,835,526
Culture/Recreation	37,117
Total	\$ 2,122,545

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Enterprise Activities - Water Fund:	Balance 1/1/15	Increases	Decreases	Transfers	Balance 12/31/15
<i>Capital assets not being depreciated:</i>					
Land	\$ 122,184	\$ -	\$ -	\$ -	\$ 122,184
Construction in Progress	59	-	-	(59)	-
Total Capital Assets, Not Being Depreciated	\$ 122,243	\$ -	\$ -	\$ (59)	\$ 122,184
<i>Capital assets being depreciated:</i>					
Buildings	\$ 346,660	\$ -	\$ -	\$ -	\$ 346,660
Equipment	476,350	6,500	32,575	-	450,275
Infrastructure	24,717,367	-	-	-	24,717,367
Total Capital Assets, Being Depreciated	\$ 25,540,377	\$ 6,500	\$ 32,575	\$ -	\$ 25,514,302
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 346,660	\$ -	\$ -	\$ -	\$ 346,660
Equipment	349,318	28,789	32,575	-	345,532
Infrastructure	6,011,905	886,380	-	-	6,898,285
Total Accumulated Depreciation	\$ 6,707,883	\$ 915,169	\$ 32,575	\$ -	\$ 7,590,477
Total Capital Assets Being Depreciated, Net	\$ 18,832,494	\$ (908,669)	\$ -	\$ -	\$ 17,923,825
Total Capital Assets, Net	\$ 18,954,737	\$ (908,669)	\$ -	\$ (59)	\$ 18,046,009

Enterprise Activities - Sewer Fund:	Balance 1/1/15	Increases	Decreases	Transfers	Balance 12/31/15
<i>Capital assets not being depreciated:</i>					
Land	\$ 17,151	\$ -	\$ -	\$ -	\$ 17,151
Construction in Progress	59	-	-	(59)	-
Total Capital Assets, Not Being Depreciated	\$ 17,210	\$ -	\$ -	\$ (59)	\$ 17,151
<i>Capital assets being depreciated:</i>					
Buildings	\$ 1,360,772	\$ -	\$ -	\$ -	\$ 1,360,772
Equipment	1,002,026	-	5,000	-	997,026
Infrastructure	11,850,252	-	-	-	11,850,252
Total Capital Assets, Being Depreciated	\$ 14,213,050	\$ -	\$ 5,000	\$ -	\$ 14,208,050
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,095,817	\$ 41,437	\$ -	\$ -	\$ 1,137,254
Equipment	855,740	42,743	5,000	-	893,483
Infrastructure	6,876,096	306,241	-	-	7,182,337
Total Accumulated Depreciation	\$ 8,827,653	\$ 390,421	\$ 5,000	\$ -	\$ 9,213,074
Total Capital Assets Being Depreciated, Net	\$ 5,385,397	\$ (390,421)	\$ -	\$ -	\$ 4,994,976
Total Capital Assets, Net	\$ 5,402,607	\$ (390,421)	\$ -	\$ (59)	\$ 5,012,127

Enterprise Activities - Sanitation Fund:	Balance 1/1/15	Increases	Decreases	Balance 12/31/15
<i>Capital assets not being depreciated:</i>				
Land	\$ 78,954	\$ -	\$ -	\$ 78,954
<i>Capital assets being depreciated:</i>				
Buildings	\$ 393,094	\$ -	\$ -	\$ 393,094
Equipment	1,675,880	21,815	5,980	1,691,715
Infrastructure	496,666	-	-	496,666
Total Capital Assets, Being Depreciated	\$ 2,565,640	\$ 21,815	\$ 5,980	\$ 2,581,475
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 320,345	\$ 4,850	\$ -	\$ 325,195
Equipment	1,071,203	107,640	5,980	1,172,863
Infrastructure	21,868	19,809	-	41,677
Total Accumulated Depreciation	\$ 1,413,416	\$ 132,299	\$ 5,980	\$ 1,539,735
Total Capital Assets Being Depreciated, Net	\$ 1,152,224	\$ (110,484)	\$ -	\$ 1,041,740
Governmental Activities Capital Assets, Net	\$ 1,231,178	\$ (110,484)	\$ -	\$ 1,120,694

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Enterprise Activities - Total:	Balance 1/1/15	Increases	Decreases	Transfers	Balance 12/31/15
<i>Capital assets not being depreciated:</i>					
Land	\$ 218,289	\$ -	\$ -		\$ 218,289
Construction in Progress	118	-	-	(118)	-
Total Capital Assets, Not Being Depreciated	\$ 218,407	\$ -	\$ -	\$ (118)	\$ 218,289
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,100,526	\$ -	\$ -	\$ -	\$ 2,100,526
Equipment	3,154,256	28,315	43,555	-	3,139,016
Infrastructure	37,064,285	-	-	-	37,064,285
Total Capital Assets, Being Depreciated	\$ 42,319,067	\$ 28,315	\$ 43,555	\$ -	\$ 42,303,827
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,762,822	\$ 46,287	\$ -	\$ -	\$ 1,809,109
Equipment	2,276,261	179,172	43,555	-	2,411,878
Infrastructure	12,909,869	1,212,430	-	-	14,122,299
Total Accumulated Depreciation	\$ 16,948,952	\$ 1,437,889	\$ 43,555	\$ -	\$ 18,343,286
Total Capital Assets Being Depreciated, Net	\$ 25,370,115	\$ (1,409,574)	\$ -	\$ -	\$ 23,960,541
Total Capital Assets, Net	\$ 25,588,522	\$ (1,409,574)	\$ -	\$ (118)	\$ 24,178,830

Depreciation expense of \$915,169, \$390,421, and \$132,299 was charged to the water fund, sewer fund, and sanitation fund, respectively, for a total of \$1,437,889 to enterprise activities.

Airport - Component Unit:	Balance 1/1/15	Increases	Transfers	Decreases	Balance 12/31/15
<i>Capital assets not being depreciated:</i>					
Land	\$ 652,089	\$ -	\$ -	\$ -	\$ 652,089
Construction in Progress	9,936,501	1,875,453	(9,433,693)	-	2,378,261
Total Capital Assets, Not Being Depreciated	\$ 10,588,590	\$ 1,875,453	\$ (9,433,693)	\$ -	\$ 3,030,350
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,007,740	\$ -	\$ -	\$ -	\$ 2,007,740
Equipment	1,471,130	757,095	-	240,000	1,988,225
Infrastructure	11,528,656	-	9,433,693	-	20,962,349
Total Capital Assets, Being Depreciated	\$ 15,007,526	\$ 757,095	\$ 9,433,693	\$ 240,000	\$ 24,958,314
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 290,653	\$ 40,155	\$ -	\$ -	\$ 330,808
Equipment	1,417,056	24,547	-	240,000	1,201,603
Infrastructure	3,849,176	377,275	-	-	4,226,451
Total Accumulated Depreciation	\$ 5,556,885	\$ 441,977	\$ -	\$ 240,000	\$ 5,758,862
Total Capital Assets Being Depreciated, Net	\$ 9,450,641	\$ 315,118	\$ 9,433,693	\$ -	\$ 19,199,452
Governmental Activities Capital Assets, Net	\$ 20,039,231	\$ 2,190,571	\$ -	\$ -	\$ 22,229,802

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 19: 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, 2015:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 1,514,392	\$ 18,920
Lake Region Growth	232,318	26,200
Infrastructure	-	617,451
Capital Project Funds	4,400,616	570,657
Debt Service Funds	831,538	4,386,801
Highway Distribution	50,346	75,000
Advertising	-	22,243
Insurance Reserve	-	42,342
Cemetery	5,000	19,100
Temporary Employees Fund	71,488	-
Equipment Reserve	214,885	86,000
Public Buildings	5,563	-
Weed Control	-	74,882
Economic Development	-	232,318
Library	-	1,200
Planning	-	41,755
Parking Authority	-	1,200
Shade Tree	12,000	25,667
City Beautification	20,000	1,675
Job Development Authority	-	1,200
Airport Hangar	15,000	23,695
Enterprise Funds:		
Water	-	318,484
Sewer	-	342,129
Sanitation	60	444,287
Water Source Replacement	-	-
Total Transfers	\$ 7,373,206	\$ 7,373,206

NOTE 20: IBNR CLAIMS

Claims which have been incurred at year-end, but not reported, have been recorded as a claims payable in the amount of \$55,000. Blue Cross/Blue Shield, the plan administrator, has calculated this reserve requirement.

NOTE 21: DEFERRED INFLOWS OF RESOURCES

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

Deferred inflows of resources in the government wide financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, this includes amounts related to pensions for the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 22: LONG-TERM LIABILITIES

During the year ended December 31, 2015, the following changes occurred in long-term liabilities of the city:

PRIMARY GOVERNMENT

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15	Due Within One Year
Govt. Activities:					
Sales Tax Rev. Bond	\$ 2,190,000	\$ 2,875,000	\$ 110,000	\$ 4,955,000	\$ 110,000
Spec. Assmt. Bonds	8,635,000	1,960,000	825,000	9,770,000	835,000
Contract for Deed	312,339	-	35,410	276,929	36,827
Capital Leases	331,829	-	106,511	225,318	109,167
Net Pension Liability *	86,217	251,889	-	338,106	-
Comp. Absences *	428,200	46,630	-	474,830	142,449
Total Govern. Activities	\$ 11,983,585	\$ 5,133,519	\$ 1,076,921	\$ 16,040,183	\$ 1,233,443

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15	Due Within One Year
Business-Type Act:					
Revenue Bond Drawdowns	\$ 2,685,000	\$ -	\$ 170,000	\$ 2,515,000	\$ 175,000
Net Pension Liability *	25,045	73,172	-	98,217	-
Comp. Absences *	165,557	8,894	-	174,451	52,335
Total Business-Type Activities	\$ 2,875,602	\$ 82,066	\$ 170,000	\$ 2,787,668	\$ 227,335

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

Component Unit – Airport Authority:

	Balance 1/1/15	Increases	Decreases	Balance 12/31/15	Due Within One Year
Airport Authority:					
Net Pension Liability *	\$ 6,066	\$ 17,722	\$ -	\$ 23,788	\$ -
Comp. Absences *	38,926	11,844	-	50,770	15,231
Total Airport	\$ 44,992	\$ 29,566	\$ -	\$ 74,558	\$ 15,231

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

Governmental Activities:

Sales Tax Revenue Bonds:

\$2,500,000 of Sales Tax Revenue Bonds issued with a 2.5% interest rate. Installments range from \$100,000 to \$170,000 through 2030. \$2,080,000

\$2,875,000 of Sales Tax Revenue Bonds, series 2015B, due in annual installments of \$215,000 to \$260,000 through 2028; interest at 2.0% to 3.0%. 2,875,000

Total Sales Tax Bonds \$4,955,000

Special Assessment Bonds:

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Special Assessment Bonds: Continued

\$2,370,000 Refunding Improvement Bonds Series 2010A, due in annual installments of \$220,000 to \$230,000 through 2018; interest at 1.2% to 2.4%.	\$ 675,000
\$3,920,000 Refunding Improvement Bonds Series 2011A, due in annual installments of \$175,000 to \$460,000 through 2027; interest at .05% to 3.0%.	3,060,000
\$1,960,000 Refunding Improvement Serial Bonds of 2015, Series A due in annual installments of \$115,000 to \$155,000 through 2031; interest at 1.6% to 3.00%.	1,960,000
\$1,355,000 Refunding Improvement Serial Bonds of 2013, Series A due in annual installments of \$45,000 to \$110,000 through 2029; interest at .75% to 3.90%.	<u>1,260,000</u>
Total Special Assessment Bonds	<u>\$9,770,000</u>

Contract for Deed:

\$394,290 Contract for Deed for a parcel of land. The contract for deed is for 10 years. Last payment due in 2022.	<u>\$ 276,927</u>
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Capital Leases:

\$157,500 Capital Lease for a Fire Truck. The lease is for 4 years at a 2.0% interest rate. Last payment due in 2018.	\$ 118,529
\$525,000 Capital Lease for a Spartan Platform Fire Truck. The lease is for 10 years at a 4.25% interest rate. Last payment due in 2017.	<u>106,789</u>
Total Capital Leases	<u>\$ 225,318</u>

Business-Type (Enterprise) Funds/Activities:

Water Fund Revenue Drawdowns:

\$3,800,000 of Revenue Bonds were issued with a 2.5% interest rate. Installments range from \$155,000 to \$260,000 through 2027.	<u>\$2,515,000</u>
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The annual debt service requirements for all long-term liabilities outstanding, except compensated absences and net pension liability as of December 31, 2015, are as follows:

Governmental Activities:

Year Ending December 31	GOVERNMENTAL ACTIVITIES			
	Sales Tax Bonds		Special Assmt. Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 110,000	\$ 138,782	\$ 835,000	\$ 230,266
2017	330,000	117,912	940,000	211,095
2018	340,000	110,738	865,000	195,876
2019	345,000	103,338	650,000	182,569
2020	355,000	95,837	635,000	171,151
2021-2025	1,900,000	356,500	3,145,000	628,885
2026-2030	1,575,000	107,750	2,545,000	201,084
2031-2035	-	-	155,000	2,325
Totals	\$ 4,955,000	\$ 1,030,857	\$ 9,770,000	\$ 1,823,251

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

GOVERNMENTAL ACTIVITIES				
Year Ending December 31	Leases Payable		Contract for Deed	
	Principal	Interest	Principal	Interest
2016	\$ 109,167	\$ 6,176	\$ 36,827	\$ 11,077
2017	75,854	2,368	38,300	9,604
2018	40,297	806	39,832	8,072
2019	-	-	41,425	6,479
2020	-	-	43,082	4,822
2021-2025	-	-	77,461	4,405
Totals	\$ 225,318	\$ 9,350	\$ 276,927	\$ 44,459

Business-Type Activities:

ENTERPRISE ACTIVITIES		
Year Ending December 31	Revenue Bonds	
	Principal	Interest
2016	\$ 175,000	\$ 62,875
2017	180,000	58,500
2018	185,000	54,000
2019	195,000	49,375
2020	200,000	44,500
2021-2025	1,085,000	144,875
2026-2030	495,000	18,875
Totals	\$ 2,515,000	\$ 433,000

NOTE 23: OPERATING LEASES

Operating Lease - The City leased two copiers and a postage machine under non-cancelable operating leases. The Library leased a copier. Operating lease payments totaled \$3,609 for the city and \$3,762 for the library during 2015. The future minimum lease payments for both leases are as follows:

GOVERNMENTAL ACTIVITIES			
Year Ending December 31	Operating Leases		
	City Copier	Postage Meter	Library Copier
2016	\$ 910	\$ 1,200	\$ 1,368
2017	-	1,200	1,368
2018	-	300	1,026
Totals	\$ 910	\$ 2,700	\$ 3,762

NOTE 24: PENSION PLAN

General Information about the NDPERS Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

Upon termination, if a member 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.

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 25 months of service	Greater of two percent of monthly salary or \$25
26 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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

At December 31, 2015, City of Devils Lake reported a liability of \$460,110 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the main system pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the Employer's proportion was .00067665 percent, which was an increase of .00049180 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Employer recognized pension expense of \$104,140. At December 31, 2015, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Def. Outflows of Resources	Def. Inflows of Resources
Differences Between Expected and Actual Experience	\$ 13,348	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	302,272	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	9,713
Changes of Assumptions	-	40,994
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	2,075
District Contributions Subsequent to the Measurement Date	59,194	-
Total	\$ 374,814	\$ 52,782

\$59,194 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, 2015.

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

2016	\$ 47,822
2017	47,822
2018	47,822
2019	67,893
2020	51,740

Actuarial Assumptions

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

Inflation	3.50%
Salary Increases	3.85% per annum for four years, then 4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost-of-Living Adjustments	None

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

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	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Sensitivity of the 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 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's Proportionate Share of the Net Pension Liability	\$ 705,556	\$ 460,110	\$ 259,291

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 25: CONDUIT DEBT**Municipal Industrial Development Bonds:**

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

As of December 31, 2015, there are 3 issuances of MIDA Bonds outstanding with an original principal value issued of \$17,515,000. One MIDA bond issuance of \$1,571,540 was done in 2015. The aggregate principal amount currently payable for the MIDA bonds is \$2,938,999.

Community Development Block Grants:

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

As of December 31, 2015, there were 3 CDBG loans outstanding and two Governor's Fund loans outstanding, with an aggregate principal amount payable of \$578,722.

NOTE 26: 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 two million dollars per occurrence for general liability and automobile coverage and to \$4,581,059 for public assets (mobile equipment and portable property) coverage, and also for governance liability of two million dollars per occurrence. The Devils Lake Airport Authority, a component unit, has coverage of two million dollars per occurrence for general liability, one million dollars for automobile, public assets coverage was \$725,160, and the Airport Authority also has two million dollars in coverage for personal injury and malpractice per occurrence with the Old Republic Insurance Company.

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

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

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

NOTE 27: SEGMENT INFORMATION – PROPRIETARY FUNDS

The City of Devils Lake issued revenue bonds to finance costs in connection with the closure of its landfill. The city has established a separate fund to account for activities related to this bond issue. Summary financial information for the Landfill Closure Fund for the year ended December 31, 2015, is as follows:

CONDENSED STATEMENT OF NET POSITION	
Assets:	
Restricted Cash	\$ 8,428
Utility Billings Receivable	33
Total Assets	\$ 8,461
Net Position:	
Unrestricted	\$ 8,461

CONDENSED STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION	
Charges for Services	\$ 166
Operating Income	\$ 166
Change in Net Position	\$ 166
Net Position - January 1	\$ 8,295
Net Position - December 31	\$ 8,461

CONDENSED STATEMENT OF CASH FLOWS	
Net Cash provided (used) by:	
Operating Activities	\$ 166
Net increase (decrease) in cash	\$ 166
Beginning Cash	\$ 8,262
Ending Cash	\$ 8,428

NOTE 28: FUND DEFICITS

The following individual funds were in a deficit fund balance position at December 31, 2015:

Fund	Amount
Flood Protection 1-96	\$ (3,707,029)
Safe Routes to School	(10,483)
Water & Sewer Improve. #59-14 -- Smith Drive	(114,163)
Sewer Improvement #13-15 -- 2nd St. NE.	(32,852)
Street Improve. #47-13 -- 16th St. SE.	(162)
Street Improve. #58-15 -- 16th & 17th St. SE.	(113)

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 29: 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, 2015:

Governmental Activities:

Project - City	Original Contract	Change Orders	Total Contract Balance	Total Completed	Remaining Balance	Retainage
Street Impr 51.13 - City Share	\$ 90,675	\$ (230)	\$ 90,445	\$ 86,021	\$ 4,424	\$ 1,756
WS Imp #59-14 Smith Dr.	142,050	(16,760)	125,290	119,513	5,777	2,439
Sewer Impr 13-15 -- 2nd St. NE	29,935	-	29,935	28,438	1,497	1,497
WM Impr 24-15 -- various	1,937,075	13,136	1,950,211	1,502,643	447,568	30,666
Total	\$ 2,199,735	\$ (3,854)	\$ 2,195,881	\$ 1,736,615	\$ 459,266	\$ 36,358

Component Unit Activities:

Project - Airport	Original Contract	Change Orders	Total Contract Balance	Total Completed	Remaining Balance	Retainage
Airport #29	\$ 2,447,988	\$ 16,147	\$ 2,464,135	\$ 2,434,242	\$ 29,893	\$ -
Airport #32	741,964	-	741,964	735,538	6,426	-
Airport #33	528,366	-	528,366	430,912	97,454	20,638
Airport #34	85,009	-	85,009	16,598	68,411	-
Total	\$ 3,803,327	\$ 16,147	\$ 3,819,474	\$ 3,617,290	\$ 202,184	\$ 20,638

NOTE 30: RELATED PARTY TRANSACTION

The City of Devils Lake is involved with a related party that existed as of December 31, 2015. The nature of the relationship involved the City of Devils Lake and the City Administrator whom had a proportioned ownership status in Flatlander Foods Inc. Flatlander Foods had loan requests from North Central Planning Council (Which uses City of Devils Lake as a conduit) and Forward Devils Lake (economic development entity) that were in total to be \$360,000. The City of Devils Lake was responsible to contribute \$90,000 (60 month amortization schedule at 3% interest) which was paid from the City Growth Fund to Forward Devils Lake entity. The remaining \$270,000 was further split between the North Central Planning Council (\$180,000) and the North Dakota Development Fund (\$90,000).

NOTE 31: PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The result of implementing GASB 68 reduced beginning net position in governmental activities, business-type activities, the water fund, the sewer fund, the sanitation fund, and the component unit airport, which consists of the net pension liability related to the North Dakota Public Employees Retirement System (NDPERS).

The effect of the prior period adjustments to beginning net position are as follows:

Net Position Adjustments - Governmental Activities:	Govt. Activities
Net Position as previously reported	\$ 237,407,758
Adjustments to restate the January 1, 2015 net position for pension items as outlined below:	
Net Pension Liability	(86,217)
Pension Deferred Inflows of Resources	(16,830)
Pension Deferred Outflows of Resources	40,545
Net Position, January 1, 2015 as restated	\$ 237,345,256

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Net Position Adjustments - Enterprise Activities:	Enterprise
Net Position as previously reported	\$ 24,441,281
Adjustments to restate the January 1, 2015 net position for pension items as outlined below:	
Net Pension Liability	(25,045)
Pension Deferred Inflows of Resources	(4,889)
Pension Deferred Outflwos of Resources	11,778
Net Position, January 1, 2015 as restated	\$ 24,423,125

Net Position Adjustments - Water Fund:	Water
Net Position as previously reported	\$ 19,215,082
Adjustments to restate the January 1, 2015 net position for pension items as outlined below:	
Net Pension Liability	(4,901)
Pension Deferred Inflows of Resources	(957)
Pension Deferred Outflwos of Resources	2,305
Net Position, January 1, 2015 as restated	\$ 19,211,529

Net Position Adjustments - Sewer Fund:	Sewer
Net Position as previously reported	\$ 5,942,848
Adjustments to restate the January 1, 2015 net position for pension items as outlined below:	
Net Pension Liability	(6,672)
Pension Deferred Inflows of Resources	(1,302)
Pension Deferred Outflwos of Resources	3,137
Net Position, January 1, 2015 as restated	\$ 5,938,011

Net Position Adjustments - Sanitation Fund:	Sanitation
Net Position as previously reported	\$ 1,827,183
Adjustments to restate the January 1, 2015 net position for pension items as outlined below:	
Net Pension Liability	(13,472)
Pension Deferred Inflows of Resources	(2,630)
Pension Deferred Outflwos of Resources	6,336
Net Position, January 1, 2015 as restated	\$ 1,817,417

Net Position Adjustments - Airport:	Airport
Net Position as previously reported	\$ 19,206,399
Adjustments to restate the January 1, 2015 net position for pension items as outlined below:	
Net Pension Liability	(6,066)
Pension Deferred Inflows of Resources	(1,184)
Pension Deferred Outflwos of Resources	2,853
Net Position, January 1, 2015 as restated	\$ 19,202,002

CITY OF DEVILS LAKE
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,450,000	\$ 2,357,813	\$ 2,319,584	\$ (38,229)
Licenses, Permits and Fees	105,000	102,401	102,400	(1)
Charges for Services	246,850	256,956	256,955	(1)
Intergovernmental	930,588	895,648	803,667	(91,981)
Fines, Forfeitures and Penalties	191,700	216,352	216,351	(1)
Interest	2,000	1,051	3,480	2,429
Miscellaneous	66,000	88,214	143,319	55,105
Total Revenues	\$ 3,992,138	\$ 3,918,435	\$ 3,845,756	\$ (72,679)
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,008,044	\$ 2,052,941	\$ 2,069,608	\$ (16,667)
Public Safety	2,371,398	2,388,651	2,351,412	37,239
Public Works	667,869	580,126	580,123	3
Health and Welfare	14,700	14,843	14,843	-
Culture & Recreation	27,100	27,100	27,100	-
Other	18,500	25,471	25,471	-
Capital Outlay	-	22,861	22,861	-
Debt Service:				
Principal	-	-	106,511	(106,511)
Interest	-	-	8,832	(8,832)
Total Expenditures	\$ 5,107,611	\$ 5,111,993	\$ 5,206,761	\$ (94,768)
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,115,473)	\$ (1,193,558)	\$ (1,361,005)	\$ (167,447)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,150,108	\$ 1,530,823	\$ 1,490,697	\$ (40,126)
Transfers Out	(69,751)	(72,586)	(18,920)	53,666
Total Other Financing Sources and Uses	\$ 1,080,357	\$ 1,458,237	\$ 1,471,777	\$ 13,540
Net Change in Fund Balances	\$ (35,116)	\$ 264,679	\$ 110,772	\$ (153,907)
Fund Balances - January 1	\$ 3,082,740	\$ 3,082,740	\$ 3,082,740	\$ -
Fund Balances - December 31	\$ 3,047,624	\$ 3,347,419	\$ 3,193,512	\$ (153,907)

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
LAKE REGION GROWTH FUND
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Interest Income	\$ 26,000	\$ 69,533	\$ 4,163	(65,370)
<u>Expenditures:</u>				
<u>Current:</u>				
Economic Development	\$ 213,084	\$ 264,941	\$ 261,203	\$ 3,738
<u>Debt Service:</u>				
Principal	-	-	35,410	(35,410)
Interest	-	-	12,494	(12,494)
Total Expenditures	\$ 213,084	\$ 264,941	\$ 309,107	\$ (44,166)
Excess (Deficiency) of Revenues Over Expenditures	\$ (187,084)	\$ (195,408)	\$ (304,944)	\$ (109,536)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 280,000	\$ 232,318	\$ 232,318	\$ -
Transfers Out	(26,200)	(26,200)	(26,200)	-
Total Other Financing Sources and Uses	\$ 253,800	\$ 206,118	\$ 206,118	\$ -
Net Change in Fund Balances	\$ 66,716	\$ 10,710	\$ (98,826)	\$ (109,536)
Fund Balances - January 1	\$ 2,577,720	\$ 2,577,720	\$ 2,577,720	\$ -
Fund Balances - December 31	\$ 2,644,436	\$ 2,588,430	\$ 2,478,894	\$ (109,536)

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

PENSION SCHEDULES
For the Year Ended December 31, 2015

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

	2014	2015
District's proportion of the net pension liability (asset)	0.018485%	0.067665%
District's proportionate share of the net pension liability (asset)	\$ 117,328	\$ 460,110
District's covered-employee payroll	\$ 155,719	\$ 602,813
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	77.70%	77.15%

*Complete data for this schedule is not available prior to 2014.

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

	2014	2015
Statutorily required contribution	\$ 11,087	\$ 42,920
Contributions in relation to the statutorily required contribution	\$ (11,087)	\$ (42,920)
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 155,719	\$ 602,813
Contributions as a percentage of covered-employee payroll	7.12%	7.12%

*Complete data for this schedule is not available prior to 2014.

CITY OF DEVILS LAKE
Devils Lake, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015

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).

CITY OF DEVILS LAKE

Notes to the Required Supplementary Information - Continued

- 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. He 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: PENSIONS - CHANGES OF ASSUMPTIONS

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

SCHEDULE OF FUND ACTIVITY (CLIENT BASIS)
For the Year Ended December 31, 2015

	Balance 1-1-15	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-15
GENERAL FUND	\$ 2,660,821.53	\$ 3,934,860.94	\$ 1,514,392.54	\$ -	\$ 18,920.53	\$ 5,165,658.49	\$ 2,925,495.99
MAJOR SPECIAL REVENUE FUNDS:							
LAKE REGION GROWTH INFRASTRUCTURE	\$ 405,044.16 811,066.77	\$ 69,533.07 1,269,270.92	\$ 232,317.75 -	\$ - -	\$ 26,200.00 617,451.58	\$ 264,940.51 433,320.86	\$ 415,754.47 1,029,565.25
TOTAL MAJOR SPECIAL REVENUE FUNDS	\$ 1,216,110.93	\$ 1,338,803.99	\$ 232,317.75	\$ -	\$ 643,651.58	\$ 698,261.37	\$ 1,445,319.72
MAJOR CAPITAL PROJECTS FUNDS:							
WATER SUPPLY CONSTRUCTION	\$ -	\$ 300.00	\$ 3,566.99	\$ -	\$ -	\$ 3,866.99	\$ -
FLOOD PROTECTION 1-96	(3,883,371.31)	594,048.89	-	-	81,502.72	336,204.27	(3,707,029.41)
SAFE ROUTE TO SCHOOL - 12TH AVE FISHING PIERS	(17,333.64) -	6,850.69 41,173.00	- -	- -	- -	- 21,690.60	(10,482.95) 19,482.40
W,S, STR IMPR 51-11 - AGASSIZ PROP	86,160.41	-	-	-	1,533.64	9,585.23	75,041.54
W, S,STR IMPR #55-13 - WALMART	680,346.52	-	-	-	-	-	680,346.52
W, S,STR IMPR #48-13 - HIGHLAND	58,186.01	-	-	-	1,961.92	12,261.93	43,962.16
WATER & SEWER IMPR #59-14 - SMITH DR	-	-	38,054.27	-	20,995.44	131,221.62	(114,162.79)
W,S,STR IMPR #60-15 - CENEX	-	-	1,782,500.00	-	-	338.80	1,782,161.20
SEWER IMPR #13-15 - 2ND ST NE	-	-	10,950.59	-	11,525.05	32,277.32	(32,851.78)
WATERMAIN IMPR 23-14 - 9TH AVE SE	-	-	183.76	-	-	183.76	-
WATERMAIN IMPR 24-15 - VARIOUS	-	-	2,430,000.00	-	243,380.92	1,521,130.75	665,488.33
2014 CURB, GUTTER & SIDEWALK	-	-	193.60	-	-	193.60	-
2015 CURB, GUTTER & SIDEWALK	-	-	92,769.94	-	-	92,769.94	-
STR IMPR 47-13 - 16TH ST SE	(161.66)	-	-	-	-	-	(161.66)
STR IMPR 51-13 - 5TH ST SE	(21,641.20)	-	42,396.47	-	3,909.18	16,846.09	-
STR IMPR 53-14 - 6TH ST NE	48,250.07	-	-	-	43,697.96	4,552.11	-
STR IMPR 54-14 - 5TH ST NE	89,970.35	-	-	-	84,867.12	5,103.23	-
STR IMPR 55-14 - 4TH ST NE	83,094.90	-	-	-	77,282.90	5,812.00	-
STR IMPR 58-15 - 16TH & 17TH St SE	-	-	-	-	-	112.64	(112.64)
OFF BOOK ACCOUNT- BND (LEEVEE ESCROW)	5,308,516.44	21,000.00	-	-	-	2,596,046.83	2,733,469.61
TOTAL MAJOR CAPITAL PROJECTS FUNDS	\$ 2,432,016.89	\$ 663,372.58	\$ 4,400,615.62	\$ -	\$ 570,656.85	\$ 4,790,197.71	\$ 2,135,150.53
MAJOR DEBT SERVICE FUNDS:							
CITY SHARE SPECIAL ASSESSMENT	\$ 54,014.60	\$ 64,836.89	\$ -	\$ -	\$ 85,131.40	\$ -	\$ 33,720.09
SPECIAL ASSESSMENT CITY PROPERTY	24,460.71	4,937.76	-	-	12,456.23	4,439.29	12,502.95
PENALTY & INTEREST SPECIAL ASSMT	60,196.79	3,103.00	-	-	10,000.00	-	53,299.79
SPECIAL ASSESSMENT DEFICIENCY	68,606.25	20,297.07	-	-	20,000.00	-	68,903.32
NON-BONDED DEBT SERVICE	(18,121.43)	82,894.56	12,529.63	-	46,713.04	-	30,589.72
SEWER SEPARATION #1	109,171.52	1,280.59	-	-	-	-	110,452.11
SALES TAX REV BONDS 2010	147,652.01	158,658.84	-	-	-	175,700.00	130,610.85
REF IMP BONDS 2010	179,788.58	60,203.43	180,901.00	5,987.00	-	337,259.75	89,620.26
REF IMP BONDS 2011	223,055.88	269,988.27	302,142.00	-	-	522,888.75	272,297.40
REF IMP BONDS 2012	85,021.09	50,842.44	47,669.00	-	-	79,477.50	104,055.03
REF IMP BONDS 2014	3,012.07	99,898.51	288,296.60	-	-	84,018.28	307,188.90
SALES TAX REV BONDS 2015	-	-	-	2,780,648.75	2,375,000.00	-	405,648.75
REF IMP BONDS 2015	-	1,170.25	-	1,916,358.60	1,837,500.00	-	80,028.85
TOTAL MAJOR DEBT SERVICE FUNDS	\$ 936,858.07	\$ 818,111.61	\$ 831,538.23	\$ 4,702,994.35	\$ 4,386,800.67	\$ 1,203,783.57	\$ 1,698,918.02
TOTAL MAJOR FUNDS	\$ 7,245,807.42	\$ 6,755,149.12	\$ 6,978,864.14	\$ 4,702,994.35	\$ 5,620,029.63	\$ 11,857,901.14	\$ 8,204,884.26
NONMAJOR SPECIAL REVENUE FUNDS:							
HIGHWAY DISTRIBUTION	\$ 185,034.96	\$ 398,260.21	\$ 50,346.58	\$ -	\$ 75,000.00	\$ 354,379.24	\$ 204,262.51
ADVERTISING	20,786.66	12,831.18	-	-	22,242.84	11,375.00	-
EMERGENCY	59,142.42	-	-	-	-	-	59,142.42
INSURANCE RESERVE (PREM)	48,439.72	62,267.14	-	-	42,341.86	68,365.00	-
CEMETERY	153,934.43	108,236.27	5,000.00	-	19,099.93	75,921.63	172,149.14
TEMPORARY EMPLOYEES FUND	-	-	71,487.71	-	-	71,487.71	-
EQUIPMENT RESERVE	1,703,347.94	4,038.01	214,885.00	-	86,000.00	-	1,836,270.95
PUBLIC BUILDINGS	3,632.21	4,937.76	5,563.03	-	-	14,133.00	-
WEED CONTROL	50,448.34	29,398.39	-	-	74,882.04	4,964.69	-
ECONOMIC DEVELOPMENT	-	317,317.75	-	-	232,317.75	85,000.00	-
FIRE DEPT. HOMELAND SECURITY GRANT	-	37,710.50	-	-	-	37,710.50	-
ASSET FORFEITURE BUY FUND	2,814.99	-	-	-	-	-	2,814.99
ND DOT POLICE GRANTS	-	8,815.28	-	-	-	8,815.28	-
LIBRARY	63,422.46	214,573.11	-	-	1,200.00	183,761.28	93,034.29
PLANNING	48,128.72	-	-	-	41,755.55	6,373.17	-
PARKING AUTHORITY	39,003.81	15,219.70	-	-	1,200.00	12,091.55	40,931.96
SHADE TREE	49,327.74	43,434.47	12,000.00	-	25,666.59	79,095.62	-
CITY BEAUTIFICATION	38,072.24	5,000.00	20,000.00	-	1,674.86	47,867.24	13,530.14
DL HISTORICAL PRESERVATION	5,266.79	8,256.31	-	-	-	8,256.31	5,266.79
JOB DEVELOPMENT AUTHORITY	46,298.51	42,933.96	-	-	1,200.00	42,198.00	45,834.47
SAAF GRANT	-	7,360.33	-	-	-	7,360.33	-
AIRPORT HANGER	9,529.50	8,205.00	15,000.00	-	23,695.31	2,776.93	6,262.26
TOTAL NONMAJOR SPECIAL REVENUE FUNDS	\$ 2,526,631.44	\$ 1,328,795.37	\$ 394,282.32	\$ -	\$ 648,276.73	\$ 1,121,932.48	\$ 2,479,499.92
TOTAL GOVERNMENTAL FUNDS	\$ 9,772,438.86	\$ 8,083,944.49	\$ 7,373,146.46	\$ 4,702,994.35	\$ 6,268,306.36	\$ 12,979,833.62	\$ 10,684,384.18

Continued on next page...

CITY OF DEVILS LAKE
 Devils Lake, North Dakota
 SCHEDULE OF FUND ACTIVITY (CLIENT BASIS)
 For the Year Ended December 31, 2015

	Balance 1-1-15	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-15
CONTINUED.....							
<u>INTERNAL SERVICE FUND:</u>							
SELF INSURANCE	\$ 515,180.66	\$ 881,492.10	\$ -	\$ -	\$ -	\$ 971,739.60	\$ 424,933.16
<u>ENTERPRISE FUNDS:</u>							
<u>MAJOR ENTERPRISE FUNDS:</u>							
WATER	\$ 297,846.61	\$ 848,481.30	\$ -	\$ -	\$ 318,484.32	\$ 509,889.60	\$ 317,953.99
WATER SOURCE REPLACEMENT	155,247.03	266,782.08	-	-	-	250,550.00	171,479.11
SEWER	571,158.58	902,701.19	-	-	342,129.13	553,330.13	578,400.51
SANITATION	648,641.42	1,648,189.24	60.00	-	444,286.65	1,159,057.70	693,546.31
TOTAL MAJOR BUSINESS-TYPE FUNDS	\$ 1,672,893.64	\$ 3,666,153.81	\$ 60.00	\$ -	\$ 1,104,900.10	\$ 2,472,827.43	\$ 1,761,379.92
<u>NONMAJOR ENTERPRISE FUNDS:</u>							
LANDFILL CLOSURE	\$ 8,294.89	\$ 165.66	\$ -	\$ -	\$ -	\$ -	\$ 8,460.55
TOTAL ENTERPRISE FUNDS	\$ 1,681,188.53	\$ 3,666,319.47	\$ 60.00	\$ -	\$ 1,104,900.10	\$ 2,472,827.43	\$ 1,769,840.47
<u>AGENCY FUNDS:</u>							
LAKE REGION NARCOTICS TASK FORCE	\$ 21,787.92	\$ 130,127.22	\$ -	\$ -	\$ -	\$ 107,847.60	\$ 44,067.54
TOTAL PRIMARY GOVERNMENT	\$11,990,595.97	\$12,761,883.28	\$7,373,206.46	\$4,702,994.35	\$7,373,206.46	\$16,532,248.25	\$12,923,225.35
<u>COMPONENT UNIT:</u>							
DEVILS LAKE AIRPORT AUTHORITY	\$ (44,257.41)	\$ 3,093,757.92	\$ -	\$ -	\$ -	\$ 2,951,839.43	\$ 97,661.08
TOTAL REPORTING ENTITY	\$11,946,338.56	\$15,855,641.20	\$7,373,206.46	\$4,702,994.35	\$7,373,206.46	\$19,484,087.68	\$13,020,886.43

CITY OF DEVILS LAKE
Devils Lake, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>		
<u>Passed Through the State Department of Transportation:</u>		
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	\$ 3,216
National Priority Safety Programs	20.616	9,436
<u>Passed Through Federal Aviation Administration:</u>		
Airport Improvement Program **	20.106	* 2,304,790
Total U.S. Department of Transportation		<u>\$ 2,317,442</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Passed through the State Department of Emergency Services:</u>		
Hazard Mitigation Grant - Department of Homeland Security	97.039	<u>\$ 26,917</u>
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:</u>		
<u>Passed through the State Department of Commerce:</u>		
Community Development Block Grants/State's Program	14.228	<u>\$ 98,620</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>		
<u>Passed Through the State Attorney's General Office:</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>\$ 7,360</u>
Total Expenditures of Federal Awards		<u><u>\$ 2,450,339</u></u>

* - Major program

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

NOTE 1: BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Devils Lake under programs of the federal government for the year ended December 31, 2015. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the City of Devils Lake, it is not intended to and does not present the financial position or changes in net position of the City of Devils Lake.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E of the Uniform Guidance, wherein certain types of expenditures are allowable or limited as to reimbursement.

STATE AUDITOR

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OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

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

Independent Auditor's Report

City Commission
City of Devils Lake
Devils Lake, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Devils Lake as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Devils Lake's basic financial statements, and have issued our report thereon dated August 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Devils Lake's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Devils Lake's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Devils Lake's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Devils Lake's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 26, 2016

STATE AUDITOR

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor’s Report

City Commission
City of Devils Lake
Devils Lake, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Devils Lake’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Devils Lake’s major federal program for the year ended December 31, 2015. The City of Devils Lake’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Devils Lake complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

CITY OF DEVILS LAKE

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

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of City of Devils Lake as of and for the year ended December 31, 2015, and have issued our report thereon dated August 26, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 26, 2016

CITY OF DEVILS LAKE
Devils Lake, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

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

Internal control over financial reporting:

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

Federal Awards

Internal Control over major programs:

Material Weakness Identified?	_____ Yes	_____ <u>X</u> None noted
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported
Type of auditor's report issued on compliance for major program?	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	_____ Yes	_____ <u>X</u> None reported

Identification of major programs:

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

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

\$750,000

Auditee qualified as low-risk auditee?

_____ X Yes _____ No

Section II - Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

STATE AUDITOR

ROBERT R. PETERSON
Phone (701) 328-2241
Fax (701) 328-1406



Local Government Division:
FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252 Fax: (701) 239-7251

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OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

City Commission
City of Devils Lake
Devils Lake, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Devils Lake for the year ended December 31, 2015, and have issued our report thereon dated August 26, 2016. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE

As stated in our engagement letter dated July 18, 2016, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the City of Devils Lake's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance, and for reporting on the schedule of expenditures of federal awards required by the Uniform Guidance.

As part of obtaining reasonable assurance about whether the City of Devils Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the City of Devils Lake's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the purpose of expressing an opinion on the City of Devils Lake's compliance with those requirements over each major federal program. While our audit provides a reasonable basis for our opinion over compliance for each major federal program, it does not provide a legal determination on the City of Devils Lake's compliance with those requirements.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Devils Lake are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

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

DISAGREEMENTS WITH MANAGEMENT

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

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated August 26, 2016.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

OTHER AUDIT FINDINGS OR ISSUES

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

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

Thank you and the employees of the 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.



Robert R. Peterson
State Auditor

Fargo, North Dakota
August 26, 2016

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