



City of Devils Lake
Devils Lake, North Dakota

Audit Report

For the Year Ended December 31, 2017

JOSHUA C. GALLION
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

As of December 31, 2017

CITY OFFICIALS

Richard S. Johnson	President
Rick Morse	Commissioner
Craig Stromme	Commissioner
Dale Robbins	Commissioner
Ben Sander	Commissioner
Terry Johnston	City Administrator
Linda Lybeck	City Auditor
J. Thomas Traynor, Jr.	Attorney

AIRPORT OFFICIALS

Dennis Olson	Chairman
Renard Bergstrom	Board Member
Lt. Col. Brock Larson	NG Liaison Member
Craig Stromme	Board Member
Jeff Frith	Board Member
Rodger Haugen	Board Member
John Nord	Manager
J. Thomas Traynor, Jr.	Attorney

AUDIT PERSONNEL

Dave Mix	Audit Manager
Heath Erickson	Audit In-Charge



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, 2017, 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, 2017, 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.

CITY OF DEVILS LAKE

Independent Auditor's Report - Continued

Emphasis of a Matter

As discussed in Note 30 to the financial statements, the City of Devils Lake adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension & OPEB schedules, and the notes to the required supplementary information* on pages 46-54 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* is presented for purposes of additional analysis and are not a required part of the financial statements.

The *schedule of fund activity* 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* is 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 July 26, 2018 on our consideration of the City of Devils Lake's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Devils Lake's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
July 26, 2018

CITY OF DEVILS LAKE
 Devils Lake, North Dakota
 STATEMENT OF NET POSITION
 December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Airport
ASSETS				
Cash and Investments	\$ 3,877,492	\$ 1,605,157	\$ 5,482,649	\$ -
Cash with Fiscal Agent	1,882,429	-	1,882,429	-
Utility Billings Receivable	14,458	259,058	273,516	-
Accounts Receivable	52,490	3,504,457	3,556,947	9,247
Intergovernmental Receivable	333,122	7,559	340,681	-
Due from County	5,686	-	5,686	-
Taxes Receivable	38,269	-	38,269	1,717
Special Assessments Receivable	7,698	-	7,698	-
Loans Receivable	18,275	-	18,275	-
Long-Term Receivable:				
Uncertified Special Assessments Receivable	972,176	-	972,176	-
Capital Assets:				
<i>Not Being Depreciated</i>				
Land	3,518,543	218,289	3,736,832	722,089
Construction in Progress	207,538,347	-	207,538,347	138,550
<i>Being Depreciated</i>				
Buildings	2,863,318	198,843	3,062,161	1,596,622
Equipment and Vehicles	785,671	766,637	1,552,308	631,004
Infrastructure	36,418,181	24,466,654	60,884,835	19,580,919
Total Capital Assets	<u>\$ 251,124,060</u>	<u>\$ 25,650,423</u>	<u>\$ 276,774,483</u>	<u>\$ 22,669,184</u>
Total Assets	<u>\$ 258,326,155</u>	<u>\$ 31,026,654</u>	<u>\$ 289,352,809</u>	<u>\$ 22,680,148</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions & OPEB	<u>\$ 1,150,954</u>	<u>\$ 192,001</u>	<u>\$ 1,342,955</u>	<u>\$ 66,555</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 259,477,109</u>	<u>\$ 31,218,655</u>	<u>\$ 290,695,764</u>	<u>\$ 22,746,703</u>
LIABILITIES				
Accounts Payable	\$ 199,927	\$ 80,460	\$ 280,387	\$ 22,269
Cash Overdraft Liability	-	-	-	306,831
Retainage Payable	21,720	-	21,720	-
IBNR Payable	111,000	-	111,000	-
Interest Payable	94,193	18,000	112,193	-
Long-Term Liabilities:				
Portion Due or Payable Within One Year:				
Sales Tax Bonds Payable	340,000	-	340,000	-
Revenue Bond Drawdowns	-	185,000	185,000	-
Special Assessment Bonds Payable	899,647	-	899,647	-
Contract for Deed	39,832	-	39,832	-
Compensated Absences Payable	138,448	52,442	190,890	10,730
Portion Due or Payable After One Year:				
Sales Tax Bonds Payable	4,523,242	-	4,523,242	-
Revenue Bond Drawdowns	-	1,975,000	1,975,000	-
Special Assessment Bonds Payable	8,126,039	-	8,126,039	-
Contract for Deed	161,969	-	161,969	-
Compensated Absences Payable	323,046	122,366	445,412	25,037
Net Pension & OPEB Liability	1,276,544	313,977	1,590,521	100,986
Total Liabilities	<u>\$ 16,255,607</u>	<u>\$ 2,747,245</u>	<u>\$ 19,002,852</u>	<u>\$ 465,853</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions & OPEB	<u>\$ 61,700</u>	<u>\$ 9,474</u>	<u>\$ 71,174</u>	<u>\$ 3,047</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 16,317,307</u>	<u>\$ 2,756,719</u>	<u>\$ 19,074,026</u>	<u>\$ 468,900</u>
NET POSITION				
Net Investment in Capital Assets	\$ 237,033,331	\$ 25,650,423	\$ 262,683,754	\$ 22,669,184
Restricted for:				
Debt Service	2,299,931	-	2,299,931	-
General Government	1,983,068	-	1,983,068	-
Public safety	-	-	-	-
Public Works	808,116	-	808,116	-
Emergencies	34,150	-	34,150	-
Economic/Job Development	411,914	-	411,914	-
Culture and Recreation	157,480	-	157,480	-
Conservation of Natural Resources	5,267	-	5,267	-
Unrestricted	426,545	2,811,513	3,238,058	(391,381)
Total Net Position	<u>\$ 243,159,802</u>	<u>\$ 28,461,936</u>	<u>\$ 271,621,738</u>	<u>\$ 22,277,803</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, 2017

Functions/Programs	Program Revenues				Governmental Activities	Net (Expense) Revenue and Changes in Net Position		Component Unit Airport
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Business- Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 2,671,153	\$ 218,324	\$ 93,032	\$ -	\$ (2,359,797)		\$ (2,359,797)	
Public Safety	2,820,945	-	24,320	-	(2,796,625)		(2,796,625)	
Public Works	3,382,060	264,838	391,598	851,170	(1,874,454)		(1,874,454)	
Economic Development	273,076	-	-	-	(273,076)		(273,076)	
Culture and Recreation	246,251	7,707	1,582	-	(236,962)		(236,962)	
Conserv. of Natural Resources	47,384	-	19,939	-	(27,445)		(27,445)	
Health and Welfare	16,500	-	-	-	(16,500)		(16,500)	
Other	26,497	-	-	-	(26,497)		(26,497)	
Interest & Fees on Long-Term Debt	361,432	-	-	-	(361,432)		(361,432)	
Total Governmental Activities	\$ 9,845,298	\$ 490,869	\$ 530,471	\$ 851,170	\$ (7,972,788)		\$ (7,972,788)	
Business-Type Activities:								
Water Operations	\$ 1,414,157	\$ 881,615	\$ -	\$ -	\$ -	\$ (532,542)	\$ (532,542)	
Water Source Replacement	68,700	3,760,170	-	-	-	3,691,470	-	
Sewer	792,494	757,728	-	-	-	(34,766)	-	
Sanitation	1,414,302	1,836,914	5,000	-	-	427,612	-	
Total Business-Type Activities	\$ 3,689,653	\$ 7,236,427	\$ 5,000	\$ -	\$ -	\$ 3,551,774	\$ (532,542)	
Total Primary Government	\$ 13,534,951	\$ 7,727,296	\$ 535,471	\$ 851,170	\$ (7,972,788)	\$ 3,551,774	\$ (8,505,330)	
Component Unit:								
Airport	\$ 2,567,484	\$ 172,029	\$ 1,373,351	\$ 1,241,464				\$ 219,360
General Revenues:								
Taxes:								
Property taxes, levied for general purposes					\$ 2,818,074	\$ -	\$ 2,818,074	\$ 179,541
Property taxes, levied for special purposes					287,087	-	287,087	-
Property taxes, levied for Debt Service					335,575	-	-	-
Sales taxes					1,526,897	149,696	1,676,593	-
Non restricted grants and contributions					576,669	-	576,669	-
Unrestricted investment earnings					15,930	258	16,188	-
Sale of Capital Assets					2,000	-	2,000	-
Miscellaneous					364,690	12,191	376,881	111,714
Transfers of Capital Assets					(3,444,156)	3,444,156	-	-
Net Cash Transfers					1,152,473	(1,152,472)	1	-
Total General Revenues and Transfers					\$ 3,635,239	\$ 2,453,829	\$ 5,753,493	\$ 291,255
Changes in Net Position					\$ (4,337,549)	\$ 6,005,603	\$ 1,668,054	\$ 510,615
Net Position - January 1					\$ 247,482,621	\$ 22,482,347	\$ 269,964,968	\$ 21,773,488
Prior Period Adjustments					14,730	(26,014)	(11,284)	(6,300)
Net Position - January 1, as restated					\$ 247,497,351	\$ 22,456,333	\$ 269,953,684	\$ 21,767,188
Net Position - December 31					\$ 243,159,802	\$ 28,461,936	\$ 271,621,738	\$ 22,277,803

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, 2017

	General Fund	Lake Region Growth Fund	Infrastructure	Equipment Reserve	Capital Project Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Investments	\$ 1,974,763	\$ -	\$ -	\$ -	\$ -	\$ 1,026,859	\$ 588,491	\$ 3,590,113
Cash with Fiscal Agent	-	-	-	-	1,882,429	-	-	1,882,429
Accounts Receivable	52,490	-	-	-	-	-	-	52,490
Utility Billings Receivable	14,458	-	-	-	-	-	-	14,458
Intergovernmental Receivable	215,429	-	46,867	-	-	19,654	51,172	333,122
Due from County	4,452	-	-	-	-	546	688	5,686
Taxes Receivable	31,638	-	-	-	-	930	5,701	38,269
Special Assessments Receivable	-	-	-	-	-	7,698	-	7,698
Uncertified Special Assessments Receivable	-	-	-	-	-	972,176	-	972,176
Loans Receivable	-	18,275	-	-	-	-	-	18,275
Due from Other Funds	592,031	337,922	734,725	1,974,763	-	366,281	-	4,005,722
Total Assets	\$ 2,885,261	\$ 356,197	\$ 781,592	\$ 1,974,763	\$ 1,882,429	\$ 2,394,144	\$ 646,052	\$ 10,920,438
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts Payable	\$ 136,813	\$ -	\$ 17,028	\$ -	\$ 33,226	\$ 20	\$ 12,717	\$ 199,804
Due to Other Funds	-	-	-	-	4,005,722	-	-	4,005,722
Total Liabilities	\$ 136,813	\$ -	\$ 17,028	\$ -	\$ 4,038,948	\$ 20	\$ 12,717	\$ 4,205,526
Deferred Inflows of Resources:								
Uncollected Taxes Receivable	\$ 31,638	\$ -	\$ -	\$ -	\$ -	\$ 930	\$ 5,701	\$ 38,269
Uncollected Special Assessments Receivable	-	-	-	-	-	7,698	-	7,698
Uncertified Special Assessments Receivable	-	-	-	-	-	972,176	-	972,176
Total Deferred Inflows of Resources	\$ 31,638	\$ -	\$ -	\$ -	\$ -	\$ 980,804	\$ 5,701	\$ 1,018,143
Total Liabilities & Deferred Inflows of Resources	\$ 168,451	\$ -	\$ 17,028	\$ -	\$ 4,038,948	\$ 980,824	\$ 18,418	\$ 5,223,669
Fund Balances:								
Non-Spendable:								
Loans Receivable	\$ -	\$ 18,275	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,275
Restricted:								
Debt Service	-	-	-	-	-	1,413,320	-	1,413,320
General Government	-	-	-	1,974,763	-	-	207,013	2,181,776
Public Works/Streets	-	-	764,564	-	-	-	156,753	921,317
Emergency	-	-	-	-	-	-	34,150	34,150
Economic Development	-	337,922	-	-	-	-	54,338	392,260
Culture & Recreation	-	-	-	-	-	-	141,204	141,204
Conservation of Natural Resources	-	-	-	-	-	-	5,267	5,267
Committed:								
Asset Forfeiture Buy Fund	-	-	-	-	-	-	2,815	2,815
City Beautification	-	-	-	-	-	-	26,094	26,094
Unassigned:								
General Fund	2,716,810	-	-	-	-	-	-	2,716,810
Negative Fund Balances	-	-	-	-	(2,156,519)	-	-	(2,156,519)
Total Fund Balances	\$ 2,716,810	\$ 356,197	\$ 764,564	\$ 1,974,763	\$(2,156,519)	\$ 1,413,320	\$ 627,634	\$ 5,696,769
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,885,261	\$ 356,197	\$ 781,592	\$ 1,974,763	\$ 1,882,429	\$ 2,394,144	\$ 646,052	\$ 10,920,438

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, 2017

Total <i>Fund Balances</i> for Governmental Funds	\$	5,696,769
<p>Total <i>net position</i> reported for governmental activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of Capital Assets	\$ 295,919,566	
Less Accumulated Depreciation	<u>(44,795,506)</u>	251,124,060
<p>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.</p>		
Property Taxes	\$ 38,269	
Special Assessments	7,698	
Long-Term Uncertified Special Assessments	<u>972,176</u>	1,018,143
<p>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.</p>		
		176,256
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.</p>		
Pension Deferred Inflows of Resources	\$ (61,700)	
Pension Deferred Outflows of Resources	<u>1,150,954</u>	1,089,254
<p>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, 2017 are:</p>		
Special Assessment Bonds Payable	\$ (9,025,686)	
Sales Tax Bonds Payable	(4,863,242)	
Contract for Deed	(201,801)	
Retainage Payable	(21,720)	
Interest Payable	(94,193)	
Compensated Absences	(461,494)	
Net Pension Liability and OPEB	<u>(1,276,544)</u>	<u>(15,944,680)</u>
Total Net Position of Governmental Activities		<u>\$ 243,159,802</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, 2017

	General Fund	Lake Region Growth Fund	Infrastructure	Equipment Reserve	Capital Project Funds	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes	\$ 2,813,814	\$ -	\$ -	\$ -	\$ -	\$ 336,536	\$ 287,731	\$ 3,438,081
Special Assessment Taxes	-	-	-	-	6,089	291,522	16,713	314,324
Sales Taxes	-	-	928,114	-	-	389,209	209,574	1,526,897
Licenses, Permits and Fees	93,032	-	-	-	-	-	-	93,032
Charges for Services	251,875	-	-	-	6,851	-	54,972	313,698
Intergovernmental	612,461	-	-	-	-	-	401,648	1,014,109
Fines, Forfeitures and Penalties	177,170	-	-	-	-	-	-	177,170
Interest	1,456	-	-	12,324	-	-	2,150	15,930
Miscellaneous	266,167	62,152	-	-	2,925	-	33,446	364,690
Total Revenues	\$ 4,215,975	\$ 62,152	\$ 928,114	\$ 12,324	\$ 15,865	\$ 1,017,267	\$ 1,006,234	\$ 7,257,931
Expenditures:								
Current:								
General Government	\$ 2,209,229	\$ -	\$ 158,832	\$ -	\$ -	\$ 22,736	\$ 155,410	\$ 2,546,207
Public Safety	2,704,719	-	-	68,302	-	-	8,980	2,782,001
Public Works	651,806	-	50,720	-	-	-	363,831	1,066,357
Economic Development	-	107,461	-	-	-	-	98,948	206,409
Culture and Recreation	37,100	-	-	-	-	-	165,867	202,967
Conserv. of Natural Resources	47,384	-	-	-	-	-	-	47,384
Health and Welfare	16,500	-	-	-	-	-	-	16,500
Other	26,497	-	-	-	-	-	-	26,497
Capital Outlay	-	-	-	-	2,271,087	40,000	27,523	2,338,610
Debt Service:								
Principal	36,348	38,300	-	-	-	1,270,000	-	1,344,648
Interest	772	9,604	-	-	-	339,353	-	349,729
Total Expenditures	\$ 5,730,355	\$ 155,365	\$ 209,552	\$ 68,302	\$ 2,271,087	\$ 1,672,089	\$ 820,559	\$ 10,927,309
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,514,380)	\$ (93,213)	\$ 718,562	\$ (55,978)	\$ (2,255,222)	\$ (654,822)	\$ 185,675	\$ (3,669,378)
Other Financing Sources (Uses):								
Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,378,928	\$ -	\$ 1,378,928
Bond Issuance Costs	-	-	-	-	-	(7,801)	-	(7,801)
Sale of Capital Assets	-	-	-	-	-	2,000	-	2,000
Transfers In	1,392,054	163,181	-	241,802	1,593,722	452,291	126,414	3,969,464
Transfers Out	(28,739)	(11,200)	(747,151)	(79,000)	(293,284)	(1,419,522)	(238,095)	(2,816,991)
Total Other Financing Sources and Uses	\$ 1,363,315	\$ 151,981	\$ (747,151)	\$ 162,802	\$ 1,300,438	\$ 405,896	\$ (111,681)	\$ 2,525,600
Net Change in Fund Balances	\$ (151,065)	\$ 58,768	\$ (28,589)	\$ 106,824	\$ (954,784)	\$ (248,926)	\$ 73,994	\$ (1,143,778)
Fund Balance - January 1	\$ 2,867,875	\$ 297,429	\$ 793,153	\$ 1,867,939	\$ (1,201,735)	\$ 1,662,246	\$ 553,640	\$ 6,840,547
Fund Balance - December 31	\$ 2,716,810	\$ 356,197	\$ 764,564	\$ 1,974,763	\$ (2,156,519)	\$ 1,413,320	\$ 627,634	\$ 5,696,769

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, 2017

Net Change in *Fund Balances* - Total Governmental Funds \$ (1,143,778)

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

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

Current Year Capital Outlay	\$ 2,100,145	
Capital Contribution	708,907	
Transfer to Enterprise	(3,444,156)	
Current Year Depreciation Expense	<u>(2,261,109)</u>	(2,896,213)

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.

(5,192)

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	\$ 39,440	
Net Change in Retainage Payable	(17,308)	
Net Change in Interest Payable	<u>(3,902)</u>	18,230

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 and OPEB	\$ (604,126)	
Net Change in Deferred Inflows of Resources for Pensions and OPEB	8,236	
Net Change in Deferred Outflows of Resources for Pensions and OPEB	<u>625,539</u>	29,649

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 that debt repayment exceeded debt issuance.

Issuance of Long-Term Debt - Bonds	\$ (1,378,928)	
Repayment of Long-Term Debt	<u>1,344,648</u>	(34,280)

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	\$ 2,655	
Net Change in Special Assessments Receivable	587	
Net Change in Uncertified Special Assessments Receivable	<u>(172,648)</u>	(169,406)

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

(136,559)

Change in Net Position of Governmental Activities

\$ (4,337,549)

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, 2017

	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	\$ 291,456	\$ 287,157	\$ 353,138	\$ 664,966	\$ 8,440	\$ 1,605,157	\$ 287,379
Utility Billings Receivable	41,012	27,344	55,376	135,293	33	259,058	-
Accounts Receivable	-	3,488,762	15,695	-	-	3,504,457	-
Intergovernmental Receivables	-	-	7,559	-	-	7,559	-
Total Current Assets	<u>\$ 332,468</u>	<u>\$ 3,803,263</u>	<u>\$ 431,768</u>	<u>\$ 800,259</u>	<u>\$ 8,473</u>	<u>\$ 5,376,231</u>	<u>\$ 287,379</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	-	-	140,643	58,200	-	198,843	-
Equipment and Vehicles	160,044	-	265,687	340,906	-	766,637	-
Infrastructure	19,136,994	-	4,914,289	415,371	-	24,466,654	-
Total Noncurrent Assets	<u>\$ 19,419,222</u>	<u>\$ -</u>	<u>\$ 5,337,770</u>	<u>\$ 893,431</u>	<u>\$ -</u>	<u>\$ 25,650,423</u>	<u>\$ -</u>
Total Assets	<u>\$ 19,751,690</u>	<u>\$ 3,803,263</u>	<u>\$ 5,769,538</u>	<u>\$ 1,693,690</u>	<u>\$ 8,473</u>	<u>\$ 31,026,654</u>	<u>\$ 287,379</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>							
Pensions & OPEB	\$ 38,454	\$ -	\$ 53,031	\$ 100,516	\$ -	\$ 192,001	\$ -
Total Assets & Deferred Outflows of Resources	<u>\$ 19,790,144</u>	<u>\$ 3,803,263</u>	<u>\$ 5,822,569</u>	<u>\$ 1,794,206</u>	<u>\$ 8,473</u>	<u>\$ 31,218,655</u>	<u>\$ 287,379</u>
LIABILITIES:							
<u>Current Liabilities:</u>							
Accounts Payable	\$ 11,993	\$ -	\$ 13,711	\$ 54,756	\$ -	\$ 80,460	\$ 123
Accrued Interest Payable	-	18,000	-	-	-	18,000	-
Revenue Drawdown	-	185,000	-	-	-	185,000	-
Compensated Absences	14,860	-	12,335	25,247	-	52,442	-
IBNR Claims	-	-	-	-	-	-	111,000
Total Current Liabilities	<u>\$ 26,853</u>	<u>\$ 203,000</u>	<u>\$ 26,046</u>	<u>\$ 80,003</u>	<u>\$ -</u>	<u>\$ 335,902</u>	<u>\$ 111,123</u>
<u>Noncurrent Liabilities:</u>							
Revenue Drawdown	\$ -	\$ 1,975,000	\$ -	\$ -	\$ -	\$ 1,975,000	\$ -
Compensated Absences	34,673	-	28,783	58,910	-	122,366	-
Net Pension & OPEB Liability	64,601	-	83,218	166,158	-	313,977	-
Total Noncurrent Liabilities	<u>\$ 99,274</u>	<u>\$ 1,975,000</u>	<u>\$ 112,001</u>	<u>\$ 225,068</u>	<u>\$ -</u>	<u>\$ 2,411,343</u>	<u>\$ -</u>
Total Liabilities	<u>\$ 126,127</u>	<u>\$ 2,178,000</u>	<u>\$ 138,047</u>	<u>\$ 305,071</u>	<u>\$ -</u>	<u>\$ 2,747,245</u>	<u>\$ 111,123</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>							
Pensions & OPEB	\$ 1,949	\$ -	\$ 2,511	\$ 5,014	\$ -	\$ 9,474	\$ -
Total Liabilities & Deferred Inflows of Resources	<u>\$ 128,076</u>	<u>\$ 2,178,000</u>	<u>\$ 140,558</u>	<u>\$ 310,085</u>	<u>\$ -</u>	<u>\$ 2,756,719</u>	<u>\$ 111,123</u>
NET POSITION:							
Net Investment in Capital Assets	\$ 19,419,222	\$ -	\$ 5,337,770	\$ 893,431	\$ -	\$ 25,650,423	\$ -
Unrestricted	242,846	1,625,263	344,241	590,690	8,473	2,811,513	176,256
Total Net Position	<u>\$ 19,662,068</u>	<u>\$ 1,625,263</u>	<u>\$ 5,682,011</u>	<u>\$ 1,484,121</u>	<u>\$ 8,473</u>	<u>\$ 28,461,936</u>	<u>\$ 176,256</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, 2017

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Fund
	Water Fund	Water Source Replacement Fund	Sewer Fund	Sanitation Fund	Other Enterprise Funds		
Operating Revenues:							
Charges for Services	\$ 881,615	\$ 3,760,170	\$ 757,728	\$ 1,836,914	\$ -	\$ 7,236,427	\$ -
Contributions to Self Insurance	-	-	-	-	-	-	906,000
Total Operating Revenues	\$ 881,615	\$ 3,760,170	\$ 757,728	\$ 1,836,914	\$ -	\$ 7,236,427	\$ 906,000
Operating Expenses:							
Operating Expenses	\$ 391,537	\$ -	\$ 390,919	\$ 780,569	\$ -	\$ 1,563,025	\$ -
Warwick Wells	45,373	-	-	-	-	45,373	-
Inert Landfill	-	-	-	39,308	-	39,308	-
Transfer Station	-	-	-	459,326	-	459,326	-
Health Insurance	-	-	-	-	-	-	1,096,482
Airport Lot Rent	8,334	-	8,334	6,666	-	23,334	-
Depreciation	968,913	-	393,241	128,433	-	1,490,587	-
Total Operating Expenses	\$ 1,414,157	\$ -	\$ 792,494	\$ 1,414,302	\$ -	\$ 3,620,953	\$ 1,096,482
Operating Income (Loss)	\$ (532,542)	\$ 3,760,170	\$ (34,766)	\$ 422,612	\$ -	\$ 3,615,474	\$ (190,482)
Nonoperating Revenues (Expenses):							
Investment Earnings	\$ 86	\$ -	\$ 86	\$ 86	\$ -	\$ 258	\$ 63
Intergovernmental	-	-	-	5,000	-	5,000	-
Sales and Use Tax	-	-	149,696	-	-	149,696	-
Other Nonoperating Revenues	1,725	-	10,466	-	-	12,191	53,860
Interest Expense and Service Charges	-	(68,700)	-	-	-	(68,700)	-
Total Nonoperating Revenues (Expenses)	\$ 1,811	\$ (68,700)	\$ 160,248	\$ 5,086	\$ -	\$ 98,445	\$ 53,923
Income (Loss) Before Contributions and Transfers	\$ (530,731)	\$ 3,691,470	\$ 125,482	\$ 427,698	\$ -	\$ 3,713,919	\$ (136,559)
Transfers In	-	-	26,000	18,000	-	44,000	-
Transfers of Capital Assets	2,886,047	-	558,109	-	-	3,444,156	-
Transfers Out	(290,406)	-	(354,030)	(552,036)	-	(1,196,472)	-
Change in Net Position	\$ 2,064,910	\$ 3,691,470	\$ 355,561	\$ (106,338)	\$ -	\$ 6,005,603	\$ (136,559)
Net Position - January 1	\$17,602,102	\$(2,066,207)	\$ 5,333,766	\$ 1,604,213	\$ 8,473	\$ 22,482,347	\$ 312,815
Prior Period Adjustment	(4,944)	-	(7,316)	(13,754)	-	(26,014)	-
Net Position - January 1, As Restated	\$17,597,158	\$(2,066,207)	\$ 5,326,450	\$ 1,590,459	\$ 8,473	\$ 22,456,333	\$ 312,815
Net Position - December 31	\$19,662,068	\$ 1,625,263	\$ 5,682,011	\$ 1,484,121	\$ 8,473	\$ 28,461,936	\$ 176,256

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, 2017

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	Water Fund	Water Source Replacement Fund	Sewer Fund	Sanitation Fund	Other Enterprise Funds	Total	
<u>Cash Flows from Operating Activities:</u>							
Receipts from Customers	\$ 953,363	\$ 270,450	\$ 753,605	\$ 1,832,136	\$ -	\$ 3,809,554	\$ 906,001
Payments to Suppliers	(185,177)	-	(263,928)	(785,677)	-	(1,234,782)	(1,043,397)
Payments to Employees	(238,190)	-	(151,075)	(475,130)	-	(864,395)	-
Other Receipts	1,725	-	10,466	-	-	12,191	53,860
Net Cash Provided by Operating Activities	\$ 531,721	\$ 270,450	\$ 349,068	\$ 571,329	\$ -	\$ 1,722,568	\$ (83,536)
<u>Cash Flows from Noncapital Financing Activities:</u>							
Transfers In	\$ -	\$ -	\$ 26,000	\$ 18,000	\$ -	\$ 44,000	\$ -
Operating Grant	-	-	-	5,000	-	5,000	-
Sales Tax	-	-	152,272	-	-	152,272	-
Transfers Out	(290,406)	-	(354,030)	(552,036)	-	(1,196,472)	-
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (290,406)	\$ -	\$ (175,758)	\$ (529,036)	\$ -	\$ (995,200)	\$ -
<u>Cash Flows from Capital and Related Financing Activities:</u>							
Purchases and Construction of Capital Assets	\$ (161,364)	\$ -	\$ (203,923)	\$ (18,800)	\$ -	\$ (384,087)	\$ -
Principal Paid on Capital Debt	-	(180,000)	-	-	-	(180,000)	-
Interest and Fees Paid on Capital Debt	-	(70,200)	-	-	-	(70,200)	-
Net Cash (Used) by Capital and Related Financing Activities	\$ (161,364)	\$ (250,200)	\$ (203,923)	\$ (18,800)	\$ -	\$ (634,287)	\$ -
<u>Cash Flows from Investing Activities:</u>							
Interest Income	\$ 86	\$ -	\$ 86	\$ 86	\$ -	\$ 258	\$ 63
Net Increase (Decrease) in Cash & Cash Equivalents	\$ 80,037	\$ 20,250	\$ (30,527)	\$ 23,579	\$ -	\$ 93,339	\$ (83,473)
Cash and Cash Equivalents, January 1	\$ 211,419	\$ 266,907	\$ 383,665	\$ 641,387	\$ 8,440	\$ 1,511,818	\$ 370,852
Cash and Cash Equivalents, December 31	\$ 291,456	\$ 287,157	\$ 353,138	\$ 664,966	\$ 8,440	\$ 1,605,157	\$ 287,379
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities							
Operating Income (Loss)	\$ (532,542)	\$ 3,760,170	\$ (34,766)	\$ 422,612	\$ -	\$ 3,615,474	\$ (190,482)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>							
Depreciation Expense	\$ 968,913	\$ -	\$ 393,241	\$ 128,433	\$ -	\$ 1,490,587	\$ -
Non-operating revenues classified as cash inflows from operations	1,725	-	7,890	-	-	9,615	53,861
Change in Assets and Liabilities:							
Utility Billings Receivable	9,600	(959)	(39,357)	(4,777)	-	(35,493)	-
Accounts Receivable	62,148	(3,488,761)	35,233	-	-	(3,391,380)	-
Intergovernmental Receivables	-	-	2,576	-	-	2,576	-
Accounts Payable	(9,751)	-	2,938	10,807	-	3,994	85
Compensated Absences	19,581	-	(26,816)	(8,203)	-	(15,438)	-
Net Pension and OPEB	12,047	-	8,129	22,457	-	42,633	-
IBNR Claims	-	-	-	-	-	-	53,000
Net Cash Provided by Operating Activities	\$ 531,721	\$ 270,450	\$ 349,068	\$ 571,329	\$ -	\$ 1,722,568	\$ (83,536)

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2017

	<u>Agency Funds</u>
<u>Assets:</u>	
Cash and Cash Equivalents	\$ 79,356
Accounts Receivable	<u>2,580</u>
 Total Assets	 <u>\$ 81,936</u>
 <u>Liabilities:</u>	
Accounts Payable	\$ 2,361
Due to Other Entities	<u>79,575</u>
 Total Liabilities	 <u>\$ 81,936</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, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

Component Unit

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

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

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

B. Measurement Focus, Basis of Accounting

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

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

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

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

C. Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Infrastructure Fund. This fund is used to account for financial resources used for the maintenance of the City of Devils Lake infrastructure. Primary source of revenue is restricted sales tax for infrastructure maintenance.

Equipment Reserve Fund. This fund is used to account for financial resources used for purchasing equipment.

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.

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. Pensions

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

H. Other Post-Employment Benefits (OPEB)

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

I. Fund Balance

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 12-31-2017 was \$2,716,810, or 47% of 2017 expenditures. The minimum fund balance is designed to protect against cash flow shortfalls related to timing of projected revenues and to maintain a budget stabilization commitment.

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

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

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

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

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.

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CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

CONTINUED....

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.
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, 2017.

Non-spendable fund balance is reported in the Lake Region Growth Fund for loans receivable.

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

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

Unassigned fund balances are reported for the remaining portion of the general fund and for negative cash fund balances reported in the capital projects fund.

J. 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: 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.

At year ended December 31, 2017, the city's carrying amount of deposits was \$6,892,711 and the bank balances totaled \$6,918,377. Of the bank balances, \$592,101 was covered by Federal Depository Insurance. \$1,650,016 was held at the Bank of North Dakota, which are not required to provide security pledges. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

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, 2017, the city held certificates of deposit totaling \$1,960,090.

NOTE 3: CASH WITH FISCAL AGENT

For the Embankment Raise Project, monies have been held with fiscal agents during the construction of the infrastructure. The monies have only one purpose and that is to fund the project. The entities that have held the designated funds include the Bank of North Dakota (\$1,650,016), and Corp of Engineers (\$232,414).

NOTE 4: 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 5: INTERGOVERNMENTAL RECEIVABLE

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 6: 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 7: 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.

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 8: SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable consists of uncollected special assessments due to the city at year end for debt service fund regular tax levies. No allowance has been established for uncollectible special assessments.

NOTE 9: 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 10: 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, 2017.

Name/Business	Balance January 1	New Loans	Payments	Balance December 31
Goldade Processing	\$ 22,840	\$ -	\$ 4,565	\$ 18,275
Flatlander Foods Inc.	16,131	-	16,131	-
Total Net Loans Receivable	\$ 38,971	\$ -	\$ 20,696	\$ 18,275

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 11: DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions and OPEB.

NOTE 12: ACCOUNTS PAYABLE

Accounts payable consists of amounts owed to individuals and to entities for goods received and services rendered prior to year end.

NOTE 13: INTEREST PAYABLE

Interest payable consists of the portion of interest accrued on long-term debt (bonds payable and leases payable) outstanding at year end.

NOTE 14: DUE TO/FROM OTHER FUNDS

Due to/from other funds represents the amount of negative cash reported in various capital projects funds and non-major funds totaling \$4,005,722 covered by the general fund (\$592,031), the infrastructure fund (\$734,725), the Lake Region growth fund (\$337,922), the equipment reserve fund (\$1,974,763) and the debt service funds (\$366,281).

NOTE 15: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2017:

Governmental Activities	Balance Jan 1 (Restated)	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 3,392,293	\$ 131,250	\$ 5,000	\$ -	\$ 3,518,543
Construction in Progress	209,183,429	2,080,710	192	(3,725,600)	207,538,347
Total Capital Assets, Not Being Depreciated	\$ 212,575,722	\$ 2,211,960	\$ 5,192	\$ (3,725,600)	\$ 211,056,890
<i>Capital assets being depreciated:</i>					
Buildings	\$ 5,481,775	\$ -	\$ -	\$ -	\$ 5,481,775
Equipment	4,436,103	125,674	10,713	-	4,551,064
Infrastructure	74,076,975	471,417	-	281,445	74,829,837
Total Capital Assets, Being Depreciated	\$ 83,994,853	\$ 597,091	\$ 10,713	\$ 281,445	\$ 84,862,676
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 2,479,531	\$ 138,926	\$ -	\$ -	\$ 2,618,457
Equipment	3,531,415	244,691	10,713	-	3,765,393
Infrastructure	36,534,164	1,877,492	-	-	38,411,656
Total Accumulated Depreciation	\$ 42,545,110	\$ 2,261,109	\$ 10,713	\$ -	\$ 44,795,506
Total Capital Assets Being Depreciated, Net	\$ 41,449,743	\$ (1,664,018)	\$ -	\$ 281,445	\$ 40,067,170
Total Capital Assets, Net	\$ 254,025,465	\$ 547,942	\$ 5,192	\$ (3,444,155)	\$ 251,124,060

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

Governmental Activities	Amounts
General Government	\$ 33,802
Economic Development	66,666
Public Works & Infrastructure	1,931,171
Public Safety	192,460
Culture/Recreation	37,010
Total	\$ 2,261,109

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Business-Type Activities - Water Fund	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 122,184	\$ -	\$ -	\$ -	\$ 122,184
<i>Capital assets being depreciated:</i>					
Buildings	\$ 346,660	\$ -	\$ -	\$ -	\$ 346,660
Equipment	546,883	26,550	21,134	-	552,299
Infrastructure	24,836,152	134,814	-	2,886,047	27,857,013
Total Capital Assets, Being Depreciated	\$ 25,729,695	\$ 161,364	\$ 21,134	\$ 2,886,047	\$ 28,755,972
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 346,660	\$ -	\$ -	\$ -	\$ 346,660
Equipment	377,308	36,081	21,134	-	392,255
Infrastructure	7,787,186	932,833	-	-	8,720,019
Total Accumulated Depreciation	\$ 8,511,154	\$ 968,914	\$ 21,134	\$ -	\$ 9,458,934
Total Capital Assets Being Depreciated, Net	\$ 17,218,541	\$ (807,550)	\$ -	\$ 2,886,047	\$ 19,297,038
Total Capital Assets, Net	\$ 17,340,725	\$ (807,550)	\$ -	\$ 2,886,047	\$ 19,419,222

Business-Type Activities - Sewer Fund	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 17,151	\$ -	\$ -	\$ -	\$ 17,151
<i>Capital assets being depreciated:</i>					
Buildings	\$ 1,360,772	\$ -	\$ -	\$ -	\$ 1,360,772
Equipment	1,180,818	27,154	-	-	1,207,972
Infrastructure	11,980,760	176,769	-	558,109	12,715,638
Total Capital Assets, Being Depreciated	\$ 14,522,350	\$ 203,923	\$ -	\$ 558,109	\$ 15,284,382
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,178,692	\$ 41,437	\$ -	\$ -	\$ 1,220,129
Equipment	901,477	40,808	-	-	942,285
Infrastructure	7,490,353	310,996	-	-	7,801,349
Total Accumulated Depreciation	\$ 9,570,522	\$ 393,241	\$ -	\$ -	\$ 9,963,763
Total Capital Assets Being Depreciated, Net	\$ 4,951,828	\$ (189,318)	\$ -	\$ 558,109	\$ 5,320,619
Total Capital Assets, Net	\$ 4,968,979	\$ (189,318)	\$ -	\$ 558,109	\$ 5,337,770

Business-Type Activities - Sanitation Fund	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 78,954	\$ -	\$ -	\$ -	\$ 78,954
<i>Capital assets being depreciated:</i>					
Buildings	\$ 393,094	\$ -	\$ -	\$ -	\$ 393,094
Equipment	1,706,879	18,800	-	-	1,725,679
Infrastructure	496,666	-	-	-	496,666
Total Capital Assets, Being Depreciated	\$ 2,596,639	\$ 18,800	\$ -	\$ -	\$ 2,615,439
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 330,044	\$ 4,850	\$ -	\$ -	\$ 334,894
Equipment	1,280,999	103,774	-	-	1,384,773
Infrastructure	61,486	19,809	-	-	81,295
Total Accumulated Depreciation	\$ 1,672,529	\$ 128,433	\$ -	\$ -	\$ 1,800,962
Total Capital Assets Being Depreciated, Net	\$ 924,110	\$ (109,633)	\$ -	\$ -	\$ 814,477
Total Capital Assets, Net	\$ 1,003,064	\$ (109,633)	\$ -	\$ -	\$ 893,431

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Business-Type Activities - Total	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 218,289	\$ -	\$ -	\$ -	\$ 218,289
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,100,526	\$ -	\$ -	\$ -	\$ 2,100,526
Equipment	3,434,580	72,504	21,134	-	3,485,950
Infrastructure	37,313,578	311,583	-	3,444,156	41,069,317
Total Capital Assets, Being Depreciated	\$42,848,684	\$ 384,087	\$ 21,134	\$ 3,444,156	\$ 46,655,793
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,855,396	\$ 46,287	\$ -	\$ -	\$ 1,901,683
Equipment	2,559,784	180,663	21,134	-	2,719,313
Infrastructure	15,339,025	1,263,638	-	-	16,602,663
Total Accumulated Depreciation	\$19,754,205	\$ 1,490,588	\$ 21,134	\$ -	\$ 21,223,659
Total Capital Assets Being Depreciated, Net	\$23,094,479	\$ (1,106,501)	\$ -	\$ 3,444,156	\$ 25,432,134
Total Capital Assets, Net	\$23,312,768	\$ (1,106,501)	\$ -	\$ 3,444,156	\$ 25,650,423

Depreciation expense of \$968,914, \$393,241, and \$128,433 was charged to the water fund, sewer fund, and sanitation fund, respectively, for a total of \$1,490,588 to business-type activities.

Airport - Component Unit	Balance January 1	Increases	Decreases	Transfers	Balance December 31
<i>Capital assets not being depreciated:</i>					
Land	\$ 722,089	\$ -	\$ -	\$ -	\$ 722,089
Construction in Progress	602,022	103,263	-	(566,735)	138,550
Total Capital Assets, Not Being Depreciated	\$ 1,324,111	\$ 103,263	\$ -	\$ (566,735)	\$ 860,639
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,007,740	\$ -	\$ -	\$ -	\$ 2,007,740
Equipment	1,988,225	27,533	-	-	2,015,758
Infrastructure	23,301,995	1,215,117	-	566,735	25,083,847
Total Capital Assets, Being Depreciated	\$ 27,297,960	\$ 1,242,650	\$ -	\$ 566,735	\$ 29,107,345
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 370,963	\$ 40,155	\$ -	\$ -	\$ 411,118
Equipment	1,292,758	91,996	-	-	1,384,754
Infrastructure	4,814,747	688,181	-	-	5,502,928
Total Accumulated Depreciation	\$ 6,478,468	\$ 820,332	\$ -	\$ -	\$ 7,298,800
Total Capital Assets Being Depreciated, Net	\$ 20,819,492	\$ 422,318	\$ -	\$ 566,735	\$ 21,808,545
Total Capital Assets, Net	\$ 22,143,603	\$ 525,581	\$ -	\$ -	\$ 22,669,184

NOTE 16: CASH OVERDRAFT LIABILITY-AIRPORT

The cash overdraft liability represents the amount of pooled cash that was a negative amount for the airport at year end.

NOTE 17: IBNR CLAIMS

Claims which have been incurred at year-end, but not reported, have been recorded as a claims payable in the amount of \$111,000. Blue Cross/Blue Shield, the plan administrator, has calculated this reserve requirement.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 18: 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 and OPEB.

NOTE 19: TRANSFERS

The following is a reconciliation between cash transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2017:

Fund	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
General Fund	\$ 1,392,054	\$ 28,739
Lake Region Growth	163,181	11,200
Infrastructure	-	747,151
Equipment Reserve	241,802	79,000
Capital Project Funds	1,593,722	293,284
Debt Service Funds	452,291	1,419,522
Highway Distribution	36,547	50,000
Cemetery	5,000	19,609
Temporary Employee's Fund	64,866	-
Economic Development	-	163,181
Library	-	1,200
Parking Authority	-	1,200
City Beautification	20,000	1,705
Job Development Authority	-	1,200
<u>Enterprise Funds:</u>		
Water	-	290,406
Sewer	26,000	-
Sanitation	18,000	354,030
Water Source Replacement	-	552,036
Total Transfers	\$ 4,013,463	\$ 4,013,463

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 20: LONG-TERM LIABILITIES

During the year ended December 31, 2017, the following changes occurred in long-term liabilities of the city:

Primary Government

Governmental Activities	Balance Jan 1 (Restated)	Increases	Decreases	Balance Dec 31	Due Within One Year
Sales Tax Rev. Bond	\$ 4,845,000	\$ 348,242	\$ 330,000	\$ 4,863,242	\$ 340,000
Spec. Assmt. Bonds	8,935,000	1,030,686	940,000	9,025,686	899,647
Contract for Deed	240,101	-	38,300	201,801	39,832
Capital Leases	36,348	-	36,348	-	-
Compensated Absences *	500,934	-	39,440	461,494	138,448
Net Pension & OPEB Liability *	672,418	604,126	-	1,276,544	-
Total Governmental Activities	\$ 15,229,801	\$ 1,983,054	\$ 1,384,088	\$ 15,828,767	\$ 1,417,927

Business-Type Activities Water Fund	Balance Jan 1 (Restated)	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 29,952	\$ 19,581	\$ -	\$ 49,533	\$ 14,860
Net Pension & OPEB Liability *	35,743	28,858	-	64,601	-
Total Business Activities	\$ 65,695	\$ 48,439	\$ -	\$ 114,134	\$ 14,860

Business-Type Activities Water Source Replacement Fund	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Revenue Bond Drawdowns	\$ 2,340,000	\$ -	\$ 180,000	\$ 2,160,000	\$ 185,000

Business-Type Activities Sewer Fund	Balance Jan 1 (Restated)	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 67,935	\$ -	\$ 26,817	\$ 41,118	\$ 12,335
Net Pension & OPEB Liability *	52,892	30,326	-	83,218	-
Total Business Activities	\$ 120,827	\$ 30,326	\$ 26,817	\$ 124,336	\$ 12,335

Business-Type Activities Sanitation Fund	Balance Jan 1 (Restated)	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 92,359	\$ -	\$ 8,202	\$ 84,157	\$ 25,247
Net Pension & OPEB Liability *	99,429	66,729	-	166,158	-
Total Business Activities	\$ 191,788	\$ 66,729	\$ 8,202	\$ 250,315	\$ 25,247

Business-Type Activities Total	Balance Jan 1 (Restated)	Increases	Decreases	Balance Dec 31	Due Within One Year
Revenue Bond Drawdowns	\$ 2,340,000	\$ -	\$ 180,000	\$ 2,160,000	\$ 185,000
Compensated Absences *	190,246	19,581	35,019	174,808	52,442
Net Pension & OPEB Liability *	188,064	125,913	-	313,977	-
Total Business Activities	\$ 2,718,310	\$ 145,494	\$ 215,019	\$ 2,648,785	\$ 237,442

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Component Unit – Airport Authority

Airport Authority	Balance Jan 1	Increases	Decreases	Balance Dec 31	Due Within One Year
Compensated Absences *	\$ 54,271	\$ -	\$ 18,504	\$ 35,767	\$ 10,730
Net Pension & OPEB Liability *	45,546	55,440	-	100,986	-
Total Airport	\$ 99,817	\$ 55,440	\$ 18,504	\$ 136,753	\$ 10,730

* - The change in compensated absences and net pension and OPEB liability 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. \$ 1,855,000

\$1,876,000 of 2017 Sales Tax Revenue Bonds with \$348,242 drawn down in 2017 with a 2.0% interest rate. Once all funds are drawn down, the installments range from \$117,362 to \$152,015, through 2032. 348,242

\$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%. 2,660,000

Total Sales Tax Revenue Bonds \$ 4,863,241

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%. \$ 2,485,000

\$2,370,000 Refunding Improvement Bonds Series 2010A, due in annual installments of \$220,000 to \$225,000 through 2018; interest at 2.4%. 220,000

\$625,000 of Definitive Improvement Warrants, Series 2017 with \$270,355 drawn down in 2017 with a 2.0% interest rate. Once all funds are drawn down, the installments range from \$34,647 to \$49,374 through 2032 270,355

\$789,000 Infrastructure Loan Fund Agreement with \$760,332 drawn down in 2017 with a 2.0% interest rate. Once all funds are drawn down, the installments range from \$49,360 to \$63,934 through 2032 760,332

\$3,920,000 Refunding Improvement Bonds Series 2011A, due in annual installments of \$175,000 to \$285,000 through 2027; interest at 1.55% to 3.0%. 2,345,000

\$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%. 1,845,000

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Special Assessment Bonds – Continued:

\$1,355,000 Refunding Improvement Serial Bonds of 2013, Series A due in annual installments of \$45,000 to \$110,000 through 2029; interest at 1.80% to 3.90%.

\$ 1,100,000

Total Special Assessment Bonds

\$ 9,025,686

Contract for Deed

\$394,290 Contract for Deed for a parcel of land. The contract for deed is for 10 years with 4.0% interest. Last payment due in 2022.

\$ 201,801

Business-Type Activities

Water Fund Revenue Drawdowns

\$3,800,000 of Revenue Bonds were issued with a 2.5% interest rate. Installments range from \$185,000 to \$260,000 through 2027.

\$ 2,160,000

The annual debt service requirements for all long-term liabilities outstanding, except compensated absences and net pension liability as of December 31, 2017, are as follows:

GOVERNMENTAL ACTIVITIES						
Year Ending Dec. 31	Sales Tax Bonds		Spec. Assmt. Bonds		Contract for Deed	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	340,000	110,738	865,000	195,877	39,832	8,072
2019	345,000	103,338	650,000	182,569	41,425	6,479
2020	355,000	95,838	635,000	171,151	43,082	4,822
2021	360,000	88,113	660,000	157,710	44,806	3,098
2022	370,000	80,263	670,000	141,888	32,656	1,306
2023 - 2027	1,990,000	263,075	3,100,000	459,056	-	-
2028 - 2032	755,000	32,800	1,415,000	73,640	-	-
Draw Downs (No Schedule)	348,242	59,137	1,030,686	173,100	-	-
Totals	\$ 4,863,242	\$ 833,302	\$ 9,025,686	\$ 1,554,991	\$ 201,801	\$ 23,777

Note: the 2017 Sales Tax Revenue Bond, Definitive Improvement Warrants, Series 2017, and Infrastructure Loan Fund Agreement drawdowns do not have an amortization schedule.

BUSINESS-TYPE ACTIVITIES		
Year Ending Dec. 31	Revenue Bonds	
	Principal	Interest
2018	\$ 185,000	\$ 54,000
2019	195,000	49,375
2020	200,000	44,500
2021	205,000	39,500
2022	210,000	34,375
2023 - 2027	1,165,000	89,875
Totals	\$ 2,160,000	\$ 311,625

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 21: OPERATING LEASES

The City leased two copiers and a postage machine under non-cancelable operating leases. The Library leased a copier. Operating lease payments totaled \$5,289 for the city and \$1,368 for the library during 2017. 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	Total
2018	\$ 4,089	\$ 1,217	\$ 1,026	\$ 6,332
2019	682	1,601	-	2,283
2020	-	1,727	-	1,727
2021	-	1,727	-	1,727
2022	-	1,727	-	1,727
2023-2027	-	432	-	432
Totals	\$ 4,771	\$ 8,431	\$ 1,026	\$ 14,228

NOTE 22: PENSION PLAN**General Information about the NDPERS Pension Plan (Main and Law Enforcement System)*****North Dakota Public Employees Retirement System (Main & Law Enforcement Systems)***

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

Main System

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

Law Enforcement System

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

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

Pension BenefitsMain System

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

Law Enforcement System

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer ContributionsMain System

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Law Enforcement System

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

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

* Effective 1/1/2017, the member contribution rate for the National Guard will be 5.50%

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

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

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

At December 31, 2017, the City of Devils Lake reported a liability of \$1,475,090 (main system - \$1,346,719; law enforcement system - \$128,371), and its component unit (airport) reported a liability of \$93,013 for their proportionate shares of net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City and Airport's proportion of the net pension liability was based on their share of covered payroll in the Main System and Law Enforcement System pension plan relative to the covered payroll of all participating Main System and Law Enforcement System employers. At June 30, 2017, the city's proportion for the Main System was .083786 percent, which was an increase of .008640 percent from its proportion measured as of June 30, 2016. At June 30, 2017, the airport's proportion for the Main System was .005787 percent, which was an increase of .001760 percent from its proportion measured as of June 30, 2016.

At June 30, 2017, the City's proportion for the Law Enforcement System was 13.114622 percent, which was a decrease of 3.339778 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized total pension expense of \$287,188 for the main system, and \$128,398 for the law enforcement system. For the year ended December 31, 2017, the Airport recognized pension expense of \$19,835.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

At December 31, 2017, the City and Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Main System - Governmental Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 6,286	\$ 5,153
Changes of Assumptions	433,658	23,852
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	14,223	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	220,105	1
District Contributions Subsequent to the Measurement Date	31,186	-
Total Main System - Governmental	\$ 705,457	\$ 29,006

Law Enforcement - Governmental Activities	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 26,066	\$ 7,389
Changes of Assumptions	358,716	15,626
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	514
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	9,120	3,527
District Contributions Subsequent to the Measurement Date	42,405	-
Total Law Enforcement - Governmental	\$ 436,307	\$ 27,056

Main System - Business-Type Activities - Water	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 354	\$ 290
Changes of Assumptions	24,399	1,342
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	800	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	12,384	-
District Contributions Subsequent to the Measurement Date	-	-
Total Main System - Business-Type Activities - Water	\$ 37,937	\$ 1,632

Main System - Business-Type Activities - Sewer	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 456	\$ 373
Changes of Assumptions	31,431	1,729
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	1,031	-
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	15,953	-
District Contributions Subsequent to the Measurement Date	3,494	-
Total Main System - Business-Type Activities - Sewer	\$ 52,365	\$ 2,102

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	-0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

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

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

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 6.44 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 (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

Proportionate Share of the Net Pension Liability (Asset)	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
<u>Governmental</u>			
Main System	\$ 1,435,628	\$ 1,057,529	\$ 742,967
Law Enforcement System	296,350	128,371	(1,363)
<u>Business-Type Activities</u>			
Water	80,774	59,501	41,802
Sewer	104,053	76,649	53,849
Sanitation	207,757	153,040	107,518
<u>Component Unit</u>			
Airport	126,269	93,013	65,347

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 23: OPEB PLAN

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

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

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

At December 31, 2017, the City reported a liability of \$115,431, and its component unit (Airport) reported a liability of \$7,972 for their proportionate shares of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City and Airport's proportions of the net OPEB liability was based on their share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the City's proportion was .145928 percent, and the Airport's proportion was .010079 percent.

For the year ended December 31, 2017 the City recognized OPEB expense of \$13,995, and the Airport recognized OPEB expense of \$967. At December 31, 2017 the City and Airport reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Main System - Governmental	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 2,211
Changes of Assumptions	8,779	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	3,427
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	410	-
District Contributions Subsequent to the Measurement Date	-	-
Total Governmental	\$ 9,189	\$ 5,638

Main System - Business-Type - Water	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 124
Changes of Assumptions	494	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	193
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	23	-
District Contributions Subsequent to the Measurement Date	-	-
Total Business-Type - Water	\$ 517	\$ 317

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Main System - Business-Type - Sewer	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 160
Changes of Assumptions	636	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	248
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	30	-
District Contributions Subsequent to the Measurement Date	-	-
Total Business-Type - Sewer	\$ 666	\$ 409

Main System - Business-Type - Sanitation	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 320
Changes of Assumptions	1,270	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	496
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	59	-
District Contributions Subsequent to the Measurement Date	-	-
Total - Business-Type - Sanitation	\$ 1,330	\$ 816

Main System - Airport (Component Unit)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 194
Changes of Assumptions	772	-
Net Difference Between Projected and Actual Investment		
Earnings on Pension Plan Investments	-	301
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	36	-
District Contributions Subsequent to the Measurement Date	-	-
Total Airport	\$ 808	\$ 496

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

	Primary Government				Component Unit
	Governmental	Business-Type			
		Water	Sewer	Sanitation	Airport
2018	\$ 235	\$ 13	\$ 17	\$ 34	\$ 21
2019	235	13	17	34	21
2020	235	13	17	34	21
2021	235	13	17	34	21
2022	1,092	61	79	158	96
2023	1,092	61	79	158	96
2024	426	24	31	62	37

Actuarial assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of re-turn (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major as-set class included in the RHIC’s target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

Discount rate

The discount rate used to measure the total OPEB liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

Proportionate Share of the Net OPEB Liability	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
<u>Governmental</u>			
Main System	\$ 113,475	\$ 90,643	\$ 71,073
<u>Business-Type Activities</u>			
Water	6,385	5,100	3,999
Sewer	8,225	6,570	5,151
Sanitation	16,422	13,117	10,285
<u>Component Unit</u>			
Airport	9,981	7,972	6,251

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

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

As of December 31, 2017, there are four issuances of MIDA Bonds outstanding with an original principal value issued of \$19,086,540. The aggregate principal amount currently payable for the MIDA bonds is \$3,876,587.

Community Development Block Grants

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

As of December 31, 2017, there were two CDBG loans outstanding and two Governor's Fund loans outstanding, with an aggregate principal amount payable of \$451,970.

NOTE 25: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, automobile, and public assets insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile coverage and to \$4,870,095 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 \$575,160, 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.

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

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

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

NOTE 26: SEGMENT INFORMATION – PROPRIETARY FUNDS

The City of Devils Lake issued revenue bonds to finance costs in connection with the closure of its landfill. The City has established a separate fund to account for activities related to this bond issue. Summary financial information for the Landfill Closure Fund for the year ended December 31, 2017, is as follows:

CONDENSED STATEMENT OF NET POSITION	
<u>Assets:</u>	
Restricted Cash	\$ 8,440
Utility Billings Receivable	33
Total Assets	\$ 8,473
<u>Net Position:</u>	
Unrestricted	\$ 8,473

CONDENSED STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION	
Charges for Services	\$ -
Change in Net Position	\$ -
Net Position - January 1	\$ 8,473
Net Position - December 31	\$ 8,473

CONDENSED STATEMENT OF CASH FLOWS	
<u>Net Cash provided (used) by:</u>	
Operating Activities	\$ -
Net increase (decrease) in cash	\$ -
Beginning Cash	\$ 8,440
Ending Cash	\$ 8,440

NOTE 27: FUND DEFICITS

The following individual funds were in a deficit fund balance position at December 31, 2017:

Fund	Amount
Flood Protection 1-96	\$ (4,312,846)
Fishing Piers	(299,429)
West Via Duct	(165,304)
Downtown Imp #01-18	(8,178)
Str Improv #5717 Lakeland - Mauve	(5,335)
Str Impr #60-17 - Stromquist	(358)
Str Imp #62-17 - Various Cms	(5)
Str Imp 64-17 - Frontage 2 & 20	(11,542)

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

NOTE 28: RELATED PARTY TRANSACTION

The City of Devils Lake is involved with a related party that existed as of December 31, 2017. 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). As of December 31, 2017, the loan was paid in full.

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, 2017:

Governmental Activities:

Project - City	Original Contract	Change Orders	Total Contract	Total Completed	Remaining Balance	Retainage
West Via Duct - City	\$ 1,626,397	\$ (8,954)	\$ 1,617,443	\$ 349,395	\$1,268,048	\$ 6,988
SI 60-17 - City Share	254,290	-	254,290	231,381	22,909	4,722
SI 65-17 - City Share	36,901	-	36,901	34,809	2,092	711
SI 64-17 - City Share	92,271	-	92,271	36,031	56,240	1,695
Downtown District 01-18	350,000	-	350,000	8,033	341,967	-
Fishing Pier	190,100	-	190,100	182,496	7,604	7,604
Total	\$ 2,549,959	\$ (8,954)	\$ 2,541,005	\$ 842,145	\$1,698,860	\$ 21,720

Component Unit Activities:

Project - Airport	Original Contract	Change Orders	Total Contract	Total Completed	Remaining Balance	Retainage
Airport #35	\$ 130,311	\$ -	\$ 130,311	\$ 126,975	\$ 3,336	\$ -

NOTE 30: PRIOR PERIOD ADJUSTMENTS

Net position as of January 1, 2017 was restated due to prior period errors related to net OPEB liability items and an improperly reported capital asset for governmental activities.

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

Governmental Activities	Amounts
Net Position as previously reported	\$ 247,482,621
Adjustments to restate the January 1, 2017 net position	
Capital Assets - construction in progress	106,286
Net OPEB Liability	(91,556)
Net Position, January 1, 2017 as restated	\$ 247,497,351

Business-Type Activities - Water	Amounts
Net Position as previously reported	\$ 17,602,102
Adjustments to restate the January 1, 2017 net position	
Net OPEB Liability	(4,944)
Net Position, January 1, 2017 as restated	\$ 17,597,158

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Business-Type Activities - Sewer	Amounts
Net Position as previously reported	\$ 5,333,766
Adjustments to restate the January 1, 2017 net position	
Net OPEB Liability	(7,316)
Net Position, January 1, 2017 as restated	\$ 5,326,450

Business-Type Activities - Sanitation	Amounts
Net Position as previously reported	\$ 1,604,213
Adjustments to restate the January 1, 2017 net position	
Net OPEB Liability	(13,754)
Net Position, January 1, 2017 as restated	\$ 1,590,459

Business-Type Activities - Total	Amounts
Net Position as previously reported	\$ 22,482,347
Adjustments to restate the January 1, 2017 net position	
Net OPEB Liability	(26,014)
Net Position, January 1, 2017 as restated	\$ 22,456,333

Airport (Component Unit)	Amounts
Net Position as previously reported	\$ 21,773,488
Adjustments to restate the January 1, 2017 net position	
Net OPEB Liability	(6,300)
Net Position, January 1, 2017 as restated	\$ 21,767,188

NOTE 31: TAX INCENTIVES

The City of Devils Lake negotiates property tax incentive agreements on an individual basis with certain individuals and various commercial entities/businesses. The City has the following types of tax incentive agreements with various individuals and commercial entities at December 31, 2017.

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

New and Expanding Business:

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

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

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

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

Exemption Criteria:

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

2017 Reduction in Taxes – Due to Agreements with Other Entities:

Total program reduction in taxes – \$20,539

Public Charity Exemption:

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

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

Exemption criteria:

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

2017 Reduction in Taxes – Due to Agreements with Other Entities:

Total program reduction in taxes – \$44,499

Single Family Residence:

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

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

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

2017 Reduction in Taxes – Due to Agreements with Other Entities:

Total Program Reduction in taxes – \$1,475

Commercial and Residential

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

2017 Reduction in Taxes

Total Program Reduction in taxes – \$3,059

Renaissance Zone:

Under authority of the Renaissance Zone Act created by the North Dakota State Legislature as outlined in NDCC Chapter 40-63, any taxpaying entity in good standing with the State and the City may be eligible for tax incentives when they:

- Construct a new building within the Zone;
- Rehabilitate a building in the Zone;
- Buy a building or primary residence in the Zone and make significant improvements;
- Lease space in the Zone for a new or expanding business;
- Continue a lease in a building being rehabilitated as a Zone project.

The minimum level of investment to qualify as a Renaissance Zone Project varies based on the type of project. Designation as a Renaissance Zone Project is necessary to be eligible for any incentives. Potential projects must be approved by the Renaissance Zone Authority, City Commission and the North Dakota Department of Commerce/Division of Community Services prior to any work being started or any lease signed.

Incentives are in the form of 5-year property tax exemptions, 5-year state income tax exemptions, and historic tax credits. The tax incentives are offered primarily to stimulate new home and business construction, and to stimulate home and business improvements within city limits.

Current Residential or Commercial Property: If the owner makes all necessary improvements to eliminate poor conditions and meets a minimum capital investment requirement equal or greater than 20% of current true and full value of residential property and 50% of the current true and full value of commercial property, the City *may offer* a 5-year property tax exemption on structures only.

CITY OF DEVILS LAKE

Notes to the Financial Statements – Continued

The City of Devils Lake had negotiated tax incentive agreements with the following individuals/entities as of December 31, 2017:

- Renaissance Zone: incentives of property taxes totaling \$17,089 for 4 individual taxpaying entities with 5-year, 100% property tax exemption that qualified under the current guidelines, as allowable under NDCC chapter 40-63 and approved as updated in city commission.
- New Industry Program: incentives of property taxes totaling \$23,598 for the commercial entities in the program for new industry with 100% tax exemption for 5 years.
- 2-Year Exemptions (individuals): incentives of property taxes totaling \$1,475 for the taxpayers under new residential property guidelines that elected the option to take the 2-year property tax exemption on the first \$75,000 true and full value of the home, as allowable under NDCC section 57-02-08 subsection 35 and approved as by city commission.

CITY OF DEVILS LAKE
Devils Lake, North Dakota

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,980,000	\$ 2,826,161	\$ 2,813,814	\$ (12,347)
Licenses, Permits and Fees	105,000	93,032	93,032	-
Charges for Services	245,850	251,875	251,875	-
Intergovernmental	619,588	605,575	612,461	6,886
Fines, Forfeitures and Penalties	226,700	177,170	177,170	-
Interest	2,000	1,456	1,456	-
Miscellaneous	80,000	259,167	266,167	7,000
Total Revenues	\$ 4,259,138	\$ 4,214,436	\$ 4,215,975	\$ 1,539
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,079,171	\$ 2,192,568	\$ 2,209,229	\$ (16,661)
Public Safety	2,548,310	2,669,572	2,704,719	(35,147)
Public Works	674,879	651,805	651,806	(1)
Health and Welfare	16,800	16,500	16,500	-
Culture & Recreation	27,100	37,100	37,100	-
Conservation of Natural Resources	57,871	47,382	47,384	(2)
Other	18,500	26,498	26,497	1
Debt Service:				
Principal	-	-	36,348	(36,348)
Interest	-	-	772	(772)
Total Expenditures	\$ 5,422,631	\$ 5,641,425	\$ 5,730,355	\$ (88,930)
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,163,493)	\$ (1,426,989)	\$ (1,514,380)	\$ (87,391)
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,163,030	\$ 1,399,054	\$ 1,392,054	\$ (7,000)
Transfers Out	(121,516)	(117,670)	(28,739)	88,931
Total Other Financing Sources and Uses	\$ 1,041,514	\$ 1,281,384	\$ 1,363,315	\$ 81,931
Net Change in Fund Balances	\$ (121,979)	\$ (145,605)	\$ (151,065)	\$ (5,460)
Fund Balances - January 1	\$ 2,867,875	\$ 2,867,875	\$ 2,867,875	\$ -
Fund Balances - December 31	\$ 2,745,896	\$ 2,722,270	\$ 2,716,810	\$ (5,460)

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Interest Income	\$ 2,000	\$ -	\$ -	\$ -
Miscellaneous	24,000	60,249	62,152	1,903
Total Revenues	\$ 26,000	\$ 60,249	\$ 62,152	\$ 1,903
<u>Expenditures:</u>				
<u>Current:</u>				
Economic Development	\$ 210,488	\$ 155,366	\$ 107,461	\$ 47,905
<u>Debt Service:</u>				
Principal	-	-	38,300	(38,300)
Interest	-	-	9,604	(9,604)
Total Expenditures	\$ 210,488	\$ 155,366	\$ 155,365	\$ 1
Excess (Deficiency) of Revenues Over Expenditures	\$ (184,488)	\$ (95,117)	\$ (93,213)	\$ 1,904
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 188,000	\$ 163,181	\$ 163,181	\$ -
Transfers Out	(11,200)	(11,200)	(11,200)	-
Total Other Financing Sources and Uses	\$ 176,800	\$ 151,981	\$ 151,981	\$ -
Net Change in Fund Balances	\$ (7,688)	\$ 56,864	\$ 58,768	\$ 1,904
Fund Balances - January 1	\$ 297,429	\$ 297,429	\$ 297,429	\$ -
Fund Balances - December 31	\$ 289,741	\$ 354,293	\$ 356,197	\$ 1,904

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

CITY OF DEVILS LAKE
 Devils Lake, North Dakota
 BUDGETARY COMPARISON SCHEDULE
 INFRASTRUCTURE FUND
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Sales Taxes	\$ 1,054,000	\$ 944,086	\$ 928,114	\$ (15,972)
<u>Expenditures:</u>				
<u>Current:</u>				
General Government	\$ -	\$ 24,446	\$ 158,832	\$ (134,386)
Public Works	825,000	50,720	50,720	-
Total Expenditures	\$ 825,000	\$ 75,166	\$ 209,552	\$ (134,386)
Excess (Deficiency) of Revenues Over Expenditures	\$ 229,000	\$ 868,920	\$ 718,562	\$ (150,358)
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (227,878)	\$ (881,537)	\$ (747,151)	\$ 134,386
Net Change in Fund Balances	\$ 1,122	\$ (12,617)	\$ (28,589)	\$ (15,972)
Fund Balances - January 1	\$ 793,153	\$ 793,153	\$ 793,153	\$ -
Fund Balances - December 31	\$ 794,275	\$ 780,536	\$ 764,564	\$ (15,972)

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

CITY OF DEVILS LAKE
 Devils Lake, North Dakota
 BUDGETARY COMPARISON SCHEDULE
 EQUIPMENT RESERVE FUND
 For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Interest Income	\$ 5,000	\$ 12,323	\$ 12,324	\$ 1
<u>Expenditures:</u>				
<u>Current:</u>				
Public Safety	\$ -	\$ 68,302	\$ 68,302	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,000	\$ (55,979)	\$ (55,978)	\$ 1
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 234,722	\$ 241,802	\$ 241,802	\$ -
Transfers Out	(79,000)	(79,000)	(79,000)	-
Total Other Financing Sources and Uses	\$ 155,722	\$ 162,802	\$ 162,802	\$ -
Net Change in Fund Balances	\$ 160,722	\$ 106,823	\$ 106,824	\$ 1
Fund Balances - January 1	\$ 1,867,939	\$ 1,867,939	\$ 1,867,939	\$ -
Fund Balances - December 31	\$ 2,028,661	\$ 1,974,762	\$ 1,974,763	\$ 1

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

PENSION AND OPEB SCHEDULES
For the Year Ended December 31, 2017

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

Main System - Pension - City	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.083786%	0.075146%	0.064169%	0.017529%
City's proportionate share of the net pension liability (asset)	\$ 1,346,719	\$ 732,372	\$ 436,322	\$ 111,262
City's covered-employee payroll	\$ 855,328	\$ 757,298	\$ 571,648	\$ 147,668
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

Law Enforcement System - Pension - City	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	13.114622%	16.454400%	16.710450%	11.300387%
City's proportionate share of the net pension liability (asset)	\$ 128,371	\$ 10,539	\$ (19,557)	\$ (1,508)
City's covered-employee payroll	\$ 773,340	\$ 760,439	\$ 631,083	\$ 308,759
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	16.60%	1.39%	-3.10%	-0.49%
Plan fiduciary net position as a percentage of the total pension liability	87.23%	98.17%	104.37%	100.61%

Main System - Pension - Airport	2017	2016	2015	2014
Airport's proportion of the net pension liability (asset)	0.005787%	0.004027%	0.003498%	0.000956%
Airport's proportionate share of the net pension liability (asset)	\$ 93,013	\$ 39,246	\$ 23,788	\$ 6,066
Airport's covered-employee payroll	\$ 59,075	\$ 40,581	\$ 31,165	\$ 8,051
Airport's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.98%	70.46%	77.15%	77.70%

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

CITY OF DEVILS LAKE

Pension and OPEB Schedules - Continued

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

Main System - Pension - City	2017	2016	2015	2014
Statutorily required contribution	\$ 62,021	\$ 54,827	\$ 43,421	\$ 10,514
Contributions in relation to the statutorily required contribution	\$ 62,426	\$ 49,872	\$ 41,058	\$ 10,514
Contribution deficiency (excess)	\$ (405)	\$ 4,955	\$ 2,363	\$ -
District's covered-employee payroll	\$ 855,328	\$ 757,298	\$ 571,648	\$ 147,668
Contributions as a percentage of covered-employee payroll	7.30%	6.59%	7.18%	7.12%

Law Enforcement System - Pension - City	2017	2016	2015	2014
Statutorily required contribution	\$ 65,226	\$ 61,155	\$ 51,705	\$ 24,485
Contributions in relation to the statutorily required contribution	\$ 66,627	\$ 61,054	\$ 56,615	\$ 24,485
Contribution deficiency (excess)	\$ (1,401)	\$ 101	\$ (4,910)	\$ -
District's covered-employee payroll	\$ 773,340	\$ 760,439	\$ 631,083	\$ 308,759
Contributions as a percentage of covered-employee payroll	8.62%	8.03%	8.97%	7.93%

Main System - Pension - Airport	2017	2016	2015	2014
Statutorily required contribution	\$ 4,284	\$ 2,938	\$ 2,367	\$ 573
Contributions in relation to the statutorily required contribution	\$ 4,312	\$ 2,672	\$ 2,238	\$ 573
Contribution deficiency (excess)	\$ (28)	\$ 266	\$ 129	\$ -
District's covered-employee payroll	\$ 59,075	\$ 40,581	\$ 31,165	\$ 8,051
Contributions as a percentage of covered-employee payroll	7.30%	6.59%	7.18%	7.12%

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

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

Main System - OPEB - City	2017
City's proportion of the net OPEB liability (asset)	0.145928%
City's proportionate share of the net OPEB liability (asset)	\$ 115,431
City's covered-employee payroll	\$ 1,578,707
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

CITY OF DEVILS LAKE

Pension and OPEB Schedules - Continued

Main System - OPEB - Airport	2017
Airport's proportion of the net OPEB liability (asset)	0.009428%
Airport's proportionate share of the net OPEB liability (asset)	\$ 7,457
Airport's covered-employee payroll	\$ 101,992
Airport's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

* Complete data for this schedule is not available prior to 2017.

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

Main System - OPEB - City	2017
Statutory required contribution	\$ 18,352
Contributions in relation to the statutory required contribution	\$ 18,955
Contribution deficiency (excess)	\$ (603)
District's covered-employee payroll	\$ 1,578,707
Contributions as a percentage of covered-employee payroll	1.20%

Main System - OPEB - Airport	2017
Statutory required contribution	\$ 1,186
Contributions in relation to the statutory required contribution	\$ 1,225
Contribution deficiency (excess)	\$ (39)
District's covered-employee payroll	\$ 101,992
Contributions as a percentage of covered-employee payroll	1.20%

* Complete data for this schedule is not available prior to 2017.

CITY OF DEVILS LAKE
Devils Lake, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

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. The governing body of a city may elect, at the end of the fiscal year, to carry over the unencumbered cash balance in the general fund or other budgeted funds and designate the balances for subsequent years (NDCC 40-40-21).

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The 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	\$ 5,422,168	\$ 191,322	\$ 5,613,490
Equipment Reserve	239,722	14,403	254,125
Lake Region Growth Fund	214,000	32,031	246,031
Infrastructure Fund	1,054,000	(109,914)	944,086
Debt Service Fund	1,338,349	1,518,228	2,856,577
Capital Projects Fund	-	1,609,588	1,609,588
Non-Major Fund:			
Total Non-Major Funds	1,110,045	21,745	1,131,790
Internal Service Fund:			
Self-Insurance	1,043,100	(83,176)	959,924

	EXPENDITURES/TRANSFERS OUT		
	Original Budget	Budget Amendment	Amended Budget
Major Funds:			
General Fund	\$ 5,544,147	\$ 214,948	\$ 5,759,095
Equipment Reserve Fund	79,000	68,302	147,302
Lake Region Growth Fund	221,688	(55,122)	166,566
Infrastructure Fund	1,052,878	(96,175)	956,703
Debt Service Fund	1,633,534	1,465,877	3,099,411
Capital Projects Fund	-	2,237,577	2,237,577
Non-Major Fund:			
Total Non-Major Funds	1,143,141	(84,487)	1,058,654
Internal Service Fund:			
Self-Insurance	1,047,000	(3,518)	1,043,482

NOTE 3: CHANGES OF ASSUMPTIONS – NET PENSION AND OPEB LIABILITY

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 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, 2017

	Balance 1-1-17	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-17
GENERAL FUND	\$ 2,644,092.49	\$ 4,221,436.00	\$ 1,392,053.68	\$ -	\$ 28,738.76	\$ 5,730,354.99	\$ 2,498,488.42
MAJOR SPECIAL REVENUE FUNDS:							
LAKE REGION GROWTH	\$ 258,457.92	\$ 82,848.93	\$ 163,180.82	\$ -	\$ 11,200.00	\$ 155,365.44	\$ 337,922.23
EQUIPMENT RESERVE	1,867,939.13	12,323.18	241,802.00	-	79,000.00	68,301.69	1,974,762.62
INFRASTRUCTURE	730,313.28	944,086.43	-	-	747,151.34	209,551.52	717,696.85
TOTAL MAJOR SPECIAL REVENUE FUNDS	\$ 2,856,710.33	\$ 1,039,258.54	\$ 404,982.82	\$ -	\$ 837,351.34	\$ 433,218.65	\$ 3,030,381.70
MAJOR CAPITAL PROJECTS FUNDS:							
WATER SUPPLY CONSTRUCTION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FLOOD PROTECTION 1-96	(3,987,891.36)	2,925.00	-	-	42,491.54	285,387.86	(4,312,845.76)
SAFE ROUTE TO SCHOOL - 12TH AVE	(3,632.26)	6,850.69	-	-	-	-	3,218.43
FISHING PIERS	(68,954.65)	-	-	-	-	230,474.82	(299,429.47)
WEST VIA DUCT	-	-	348,241.17	-	70,833.80	442,711.22	(165,303.85)
DOWNTOWN IMRP #01-18	-	-	-	-	-	8,177.80	(8,177.80)
W, S,STR IMRP #55-13 - WALMART	680,346.52	-	-	-	-	-	680,346.52
W, S,STR IMRP #48-13 - HIGHLAND	1,975.00	-	-	-	-	1,975.00	-
W,S,STR IMRP #60-15 - CENEX	81,624.16	-	-	-	-	1,139.44	80,484.72
W,S,STR IMRP #5717 - LAKELAND/MAUVE	-	-	270,354.65	-	38,026.24	237,663.89	(5,335.48)
WATERMAIN IMRP 24-15 - VARIOUS	38,770.51	-	-	-	30,640.42	8,130.09	-
2016 CURB, GUTTER & SIDEWALK	-	-	133.76	-	-	133.76	-
2017 CURB, GUTTER & SIDEWALK	-	872.64	31,862.25	-	-	32,734.89	-
STR IMRP 58-15 - 16TH & 17TH ST SE	(153,195.01)	5,215.96	147,979.05	-	-	-	-
STR IMRP #60-17 - STROMQUIST	-	-	281,086.69	-	38,819.96	242,624.80	(358.07)
STR IMP #61-17- 6TH ST SE	-	-	192.18	-	-	192.18	-
STR IMP #62-17 - VARIOUS CMS	-	-	438,678.85	-	60,508.08	378,175.47	(4.70)
STR IMP 64-17 - FRONTAGE 2 & 20	-	-	34,627.04	-	6,368.20	39,801.18	(11,542.34)
STR IMP 65-17 - 5TH AVE SE	-	-	40,566.51	-	5,595.40	34,971.13	(0.02)
OFF BOOK ACCOUNT- BND (LEEVEE ESCROW)	2,209,222.45	-	-	-	-	326,793.19	1,882,429.26
TOTAL MAJOR CAPITAL PROJECTS FUNDS	\$ (1,201,734.64)	\$ 15,864.29	\$ 1,593,722.15	\$ -	\$ 293,283.64	\$ 2,271,086.72	\$ (2,156,518.56)
MAJOR DEBT SERVICE FUNDS:							
CITY SHARE SPECIAL ASSESSMENT	\$ 13,442.73	\$ 20,604.36	\$ -	\$ -	\$ 25,737.00	\$ -	\$ 8,310.09
SPECIAL ASSESSMENT CITY PROPERTY	10,246.96	35.59	-	-	-	-	10,282.55
PENALTY & INTEREST SPECIAL ASSMT	44,983.33	1,980.37	-	-	-	-	46,963.70
SPECIAL ASSESSMENT DEFICIENCY	49,508.31	142.31	-	-	-	-	49,650.62
NON-BONDED DEBT SERVICE	2,751.38	68,741.48	-	-	14,856.82	13,670.00	42,966.04
SEWER SEPARATION #1	93,325.23	1,102.80	-	-	-	46,545.68	47,882.35
SALES TAX REV BONDS 2010	174,543.04	152,272.00	21,535.00	-	-	174,100.00	174,250.04
REF IMP BONDS 2010	89,938.66	50,724.39	150,923.00	2,000.00	-	233,574.16	60,011.89
REF IMP BONDS 2011	416,058.74	277,341.98	24,081.00	-	-	410,044.16	307,437.56
REF IMP BONDS 2012	83,124.76	36,150.37	47,669.00	-	-	113,006.67	53,937.46
REF IMP BONDS 2014	311,781.69	144,274.30	-	-	-	235,761.67	220,294.32
SALES TAX REV BONDS 2015	318,866.99	243,635.20	21,733.06	-	-	284,079.17	300,156.08
REF IMP BONDS 2015	27,237.56	26,498.01	178,548.56	-	-	161,306.67	70,977.46
DEF IMP WARRANT 2017	-	-	2,106.35	268,248.30	270,354.65	-	-
SALES TAX REV BONDS 2017	-	-	3,074.29	345,166.88	348,241.17	-	-
REF IMP BOND 2017	-	-	2,620.24	757,711.81	760,332.05	-	-
TOTAL MAJOR DEBT SERVICE FUNDS	\$ 1,635,809.38	\$ 1,023,503.16	\$ 452,290.50	\$ 1,373,126.99	\$ 1,419,521.69	\$ 1,672,088.18	\$ 1,393,120.16
TOTAL MAJOR FUNDS	\$ 5,934,877.56	\$ 6,300,061.99	\$ 3,843,049.15	\$ 1,373,126.99	\$ 2,578,895.43	\$ 10,106,748.54	\$ 4,765,471.72
NONMAJOR SPECIAL REVENUE FUNDS:							
HIGHWAY DISTRIBUTION	\$ 128,976.13	\$ 369,182.50	\$ 36,547.42	\$ -	\$ 50,000.00	\$ 365,718.18	\$ 118,987.87
EMERGENCY	34,142.42	5.02	-	-	-	-	34,147.44
CEMETERY	163,020.92	99,298.74	5,000.00	-	19,608.65	81,809.19	165,901.82
TEMPORARY EMPLOYEES FUND	-	-	64,866.25	-	-	64,866.25	-
ECONOMIC DEVELOPMENT	-	213,180.82	-	-	163,180.82	50,000.00	-
FIRE DEPT. HOMELAND SECURITY GRANT	260.00	1,840.00	-	-	-	2,100.00	-
ASSET FORFEITURE BUY FUND	2,814.99	-	-	-	-	-	2,814.99
ND DOT POLICE GRANTS	-	8,329.21	-	-	-	8,329.21	-
LIBRARY	79,140.66	228,847.55	-	-	1,200.00	165,867.36	140,920.85
PARKING AUTHORITY	23,891.70	19,113.10	-	-	1,200.00	11,727.54	30,077.26
CITY BEAUTIFICATION	20,707.59	1,000.00	20,000.00	-	1,705.09	13,908.39	26,094.11
DL HISTORICAL PRESERVATION	5,266.79	-	-	-	-	-	5,266.79
JOB DEVELOPMENT AUTHORITY	44,384.45	49,354.36	-	-	1,200.00	48,948.00	43,590.81
SAAF GRANT	-	6,880.00	-	-	-	6,880.00	-
AIRPORT HANGER	2,995.84	8,205.00	-	-	-	405.05	10,795.79
TOTAL NONMAJOR SPECIAL REVENUE FUNDS	\$ 505,601.49	\$ 1,005,236.30	\$ 126,413.67	\$ -	\$ 238,094.56	\$ 820,559.17	\$ 578,597.73
TOTAL GOVERNMENTAL FUNDS	\$ 6,440,479.05	\$ 7,305,298.29	\$ 3,969,462.82	\$ 1,373,126.99	\$ 2,816,989.99	\$ 10,927,307.71	\$ 5,344,069.45
INTERNAL SERVICE FUND:							
SELF INSURANCE	\$ 370,814.89	\$ 959,923.07	\$ -	\$ -	\$ -	\$ 1,043,482.03	\$ 287,255.93

Continued on next page.....

CITY OF DEVILS LAKE
Devils Lake, North Dakota

SCHEDULE OF FUND ACTIVITY (CLIENT BASIS)
For the Year Ended December 31, 2017

CONTINUED.....	Balance 1-1-17	Revenues	Transfers In	Other Fin. Sources	Transfers Out	Expenditures	Balance 12-31-17
<u>ENTERPRISE FUNDS:</u>							
<u>MAJOR ENTERPRISE FUNDS:</u>							
WATER	\$ 302,434.68	\$ 883,428.32	\$ -	\$ -	\$ 290,406.46	\$ 574,980.55	\$ 320,475.99
WATER SOURCE REPLACEMENT	293,292.56	3,760,170.53	-	-	-	250,200.00	3,803,263.09
SEWER	439,840.67	920,091.79	26,000.00	-	354,030.01	621,864.03	410,038.42
SANITATION	716,346.68	1,840,167.95	18,000.00	-	552,036.36	1,290,414.22	732,064.05
TOTAL MAJOR BUSINESS-TYPE FUNDS	\$ 1,751,914.59	\$ 7,403,858.59	\$ 44,000.00	\$ -	\$ 1,196,472.83	\$ 2,737,458.80	\$ 5,265,841.55
<u>NONMAJOR ENTERPRISE FUNDS:</u>							
LANDFILL CLOSURE	\$ 8,472.55	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,472.55
TOTAL ENTERPRISE FUNDS	\$ 1,760,387.14	\$ 7,403,858.59	\$ 44,000.00	\$ -	\$ 1,196,472.83	\$ 2,737,458.80	\$ 5,274,314.10
<u>AGENCY FUNDS:</u>							
LAKE REGION NARCOTICS TASK FORCE	\$ 44,111.36	\$ 190,177.86	\$ -	\$ -	\$ -	\$ 154,714.12	\$ 79,575.10
TOTAL PRIMARY GOVERNMENT	\$ 8,615,792.44	\$ 15,859,257.81	\$ 4,013,462.82	\$ 1,373,126.99	\$ 4,013,462.82	\$ 14,862,962.66	\$ 10,985,214.58
<u>COMPONENT UNIT:</u>							
DEVILS LAKE AIRPORT AUTHORITY	\$ (306,588.12)	\$ 1,836,105.46	\$ -	\$ -	\$ -	\$ 1,849,370.76	\$ (319,853.42)
TOTAL REPORTING ENTITY	\$ 8,309,204.32	\$ 17,695,363.27	\$ 4,013,462.82	\$ 1,373,126.99	\$ 4,013,462.82	\$ 16,712,333.42	\$ 10,665,361.16

CITY OF DEVILS LAKE
Devils Lake, North Dakota

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Number	Tic	** Airport
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
<u>Passed Through Federal Aviation Administration:</u>				
Airport Improvement Program **	20.106	N/A	*	<u>\$ 1,206,763</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,206,763</u></u>

* - Major program

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

CITY OF DEVILS LAKE
Devils Lake, North Dakota

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2017

NOTE 1: BASIS OF PRESENTATION / ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Devils Lake and the City of Devils Lake Airport (a discretely presented component unit of the City of Devils Lake) under programs of the federal government for the year ended December 31, 2017. 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. Expenditures represent only the federally funded portions of the program. City and Airport records should be consulted to determine amounts expended or matched from non-federal sources.

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 are limited as to reimbursement.

NOTE 3: NOT AVAILABLE (N/A)

The City of Devils Lake was unable to obtain the pass-through identification number for the grant CFDA 20.106.

STATE AUDITOR

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division:

FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252

STATE OF NORTH DAKOTA
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, 2017, 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 July 26, 2018.

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.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
July 26, 2018



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

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 Programs

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, 2017. 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 federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of 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 the City of Devils Lake's compliance.

Opinion on Each Major Federal Programs

In our opinion, the City of Devils Lake complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

CITY OF DEVILS LAKE

Report on Compliance for Each Major Federal Programs; 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 the City of Devils Lake as of and for the year ended December 31, 2017, and have issued our report thereon dated July 26, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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.

/s/

Joshua C. Gallion
State Auditor

Fargo, North Dakota
July 26, 2018

CITY OF DEVILS LAKE
Devils Lake, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

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 noted
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> None noted

Federal Awards

Internal Control Over Major Programs:

Material weaknesses identified?	_____ Yes	<u> X </u> None noted
Reportable conditions identified not considered to be material weaknesses?	_____ Yes	<u> X </u> None noted
Type of Auditor's Report Issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with CFR §200.516 (Uniform Guidance) requirements?	_____ Yes	<u> X </u> None noted

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
20.106	Airport Improvement Program
Dollar threshold used to distinguish between Type A and B programs:	<u> \$750,000 </u>
Auditee qualified as low-risk auditee?	<u> X </u> 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

JOSHUA C. GALLION
Phone (701) 328-2241



Local Government Division:

FARGO OFFICE
MANAGER – DAVID MIX
Phone: (701) 239-7252

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

GOVERNANCE COMMUNICATION

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, 2017, and have issued our report thereon dated July 26, 2018. 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 Uniform Guidance

As stated in our engagement letter dated June 11, 2018, 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 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, 2017. 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 July 26, 2018.

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.

/s/
Joshua C. Gallion
State Auditor

Fargo, North Dakota
July 26, 2018

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Division of Local Government Audit

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