



Financial Statements
December 31, 2012
City of Williston

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President of the Board of City Commissioners

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Tate Cymbaluk

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Brent Bogar

City Auditor

John Kautzman



Independent Auditor's Report

The City Commission
City of Williston
Williston, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williston, North Dakota as of and for the year ended December 31, 2012, 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 Audit 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.

Basis for Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, and Sewer Fund

The City has not recorded capital assets and related depreciation for infrastructure contributed to the City from developers. Accounting principles generally accepted in the United States of America require that the City record contributed capital for infrastructure contributed from third parties. The amount by which this departure would affect the assets, net position, revenues and expenses of the governmental activities, business-type activities, water fund and sewer fund has not been determined.

Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, and Sewer Fund

In our opinion, except for the effects of the matter as described in the “Basis for Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, and Sewer Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, Water Fund, and Sewer Fund of the City of Williston, North Dakota, as of December 31, 2012, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund other than the Water Fund and Sewer Fund, and the aggregate remaining fund information of the City of Williston, North Dakota, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison statements for the General Fund and the Sales Tax Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement

As discussed in Note 22 to the financial statements, certain errors resulting in the understatement of amounts previously reported for accounts receivable and revenues and the understatement of loans receivable and overstatement of expenditures as of December 31, 2011, were discovered during the current year. Accordingly, an adjustment has been made to fund balance and net position as of January 1, 2012, to correct the error. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Management has omitted the management’s discussion and analysis that the accounting principles generally accepted in the United States of America requires 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 the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s financial statements as a whole. The official directory is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

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

The official directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014 on our consideration of the City of Williston, North Dakota'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 the City's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
January 21, 2014

City of Williston
Statement of Net Position
December 31, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 20,091,056	\$ 13,594,047	\$ 33,685,103
Accounts receivable, net	826,905	1,618,652	2,445,557
Investments in partnerships	1,050,000	-	1,050,000
Intergovernmental receivable	3,544,000	-	3,544,000
Taxes receivable	34,715	-	34,715
Due from county treasurer	12,719	-	12,719
Special assessments receivable	9,680,087	-	9,680,087
Internal balances	13,367	(13,367)	-
Inventory	-	131,991	131,991
Restricted cash and cash equivalents	-	2,645,682	2,645,682
Capital assets not being depreciated			
Land	6,836,590	459,670	7,296,260
Construction in progress	8,042,020	23,910,146	31,952,166
Capital assets (net of accumulated depreciation)			
Buildings	9,153,691	25,525,199	34,678,890
Improvements other than buildings	399,665	30,194,400	30,594,065
Infrastructure	46,092,360	-	46,092,360
Equipment	3,243,053	2,355,220	5,598,273
Total capital assets	<u>73,767,379</u>	<u>82,444,635</u>	<u>156,212,014</u>
Total assets	<u>\$ 109,020,228</u>	<u>\$ 100,421,640</u>	<u>\$ 209,441,868</u>
Liabilities			
Accounts payable	\$ 1,133,769	\$ 1,139,764	\$ 2,273,533
Escrow payable	30,000	-	30,000
Retainage payable	1,667,993	514,723	2,182,716
Salaries and benefits payable	420,786	80,816	501,602
Deposits payable	-	35,549	35,549
Grant payable	79,909	-	79,909
Accrued interest payable	101,690	173,445	275,135
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	160,000	-	160,000
Revenue bonds payable	1,295,000	1,725,000	3,020,000
Special assessment bonds payable	930,000	-	930,000
Compensated absences payable	372,541	98,472	471,013
Portion due after one year			
General obligation bonds payable	985,000	-	985,000
Revenue bonds payable	10,230,000	19,765,000	29,995,000
Special assessment bonds payable	11,440,000	-	11,440,000
Bond discounts	(229,730)	(43,947)	(273,677)
Landfill closure costs	-	364,057	364,057
Compensated absences payable	372,541	98,471	471,012
Total liabilities	<u>\$ 28,989,499</u>	<u>\$ 23,951,350</u>	<u>\$ 52,940,849</u>

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

City of Williston
Statement of Net Position
December 31, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 49,094,018	\$ 60,998,582	\$ 110,092,600
Restricted for			
Urban and economic development	11,266,726	-	11,266,726
General government	153,834	-	153,834
Public works	502,464	-	502,464
Public safety	3,939	-	3,939
Health and welfare	42,579	-	42,579
Capital projects	570,793	-	570,793
Debt service	12,735,379	2,645,682	15,381,061
Unrestricted	<u>5,660,997</u>	<u>12,826,026</u>	<u>18,487,023</u>
Total net position	<u>\$ 80,030,729</u>	<u>\$ 76,470,290</u>	<u>\$ 156,501,019</u>

City of Williston
Statement of Activities
Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines	Operating	Capital	Primary Government		
		Charges for Service	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 19,940,462	\$ 2,369,788	\$ 85,991	\$ 211	\$(17,484,472)	\$ -	\$ (17,484,472)
Public safety	5,000,691	1,763,521	-	-	(3,237,170)	-	(3,237,170)
Public works	5,057,773	746,928	2,766,352	8,547,845	7,003,352	-	7,003,352
Health and welfare	401,211	409,469	-	-	8,258	-	8,258
Culture and recreation	9,137,168	28,568	92,044	-	(9,016,556)	-	(9,016,556)
Economic development	1,248,742	-	212,564	-	(1,036,178)	-	(1,036,178)
Miscellaneous	55,780	-	-	-	(55,780)	-	(55,780)
Interest on long-term debt	696,453	-	-	-	(696,453)	-	(696,453)
Total governmental activities	<u>41,538,280</u>	<u>5,318,274</u>	<u>3,156,951</u>	<u>8,548,056</u>	<u>(24,514,999)</u>	<u>-</u>	<u>(24,514,999)</u>
Business-type activities							
Water	6,725,370	8,973,627	-	2,787,868	-	5,036,125	5,036,125
Sewer	1,140,059	1,479,894	-	11,317,620	-	11,657,455	11,657,455
Landfill	1,360,827	4,258,022	-	-	-	2,897,195	2,897,195
Refuse	1,452,368	1,542,259	-	-	-	89,891	89,891
Total business-type activities	<u>10,678,624</u>	<u>16,253,802</u>	<u>-</u>	<u>14,105,488</u>	<u>-</u>	<u>19,680,666</u>	<u>19,680,666</u>
Total primary government	<u>\$ 52,216,904</u>	<u>\$ 21,572,076</u>	<u>\$ 3,156,951</u>	<u>\$ 22,653,544</u>	<u>(24,514,999)</u>	<u>19,680,666</u>	<u>(4,834,333)</u>
<u>General Revenues</u>							
Taxes							
Property taxes, levied for general purposes					8,179,961	-	8,179,961
Property taxes, levied for special purposes					7,330,878	-	7,330,878
City sales tax					20,804,554	-	20,804,554
Cable franchise tax					217,504	-	217,504
Grants and contributions not restricted					13,499,458	-	13,499,458
Interest income					95,139	96	95,235
Oil and gas royalties					1,065,664	-	1,065,664
Miscellaneous revenue					614,113	-	614,113
Loss on sale of assets					(26,735)	-	(26,735)
Transfers					(9,875,962)	9,875,962	-
Total general revenues and transfers					<u>41,904,574</u>	<u>9,876,058</u>	<u>51,780,632</u>
Change in net position					<u>17,389,575</u>	<u>29,556,724</u>	<u>46,946,299</u>
Net position - January 1, as previously reported					62,341,154	46,661,004	109,002,158
Restatement (Note 22)					300,000	252,562	552,562
Net position - January 1, as restated					<u>62,641,154</u>	<u>46,913,566</u>	<u>109,554,720</u>
Net position - December 31					<u>\$ 80,030,729</u>	<u>\$ 76,470,290</u>	<u>\$ 156,501,019</u>

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

City of Williston
Balance Sheet – Governmental Funds
December 31, 2012

	General Fund	Sales Tax	2011 A Sales Bond	2011 Certificates of Indebtedness	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 79,056	\$ 2,361,873	\$ 349,083	\$ -	\$ 17,301,044	\$ 20,091,056
Accounts receivable, net	105,531	-	-	-	721,374	826,905
Investments in partnerships	-	-	-	-	1,050,000	1,050,000
Intergovernmental receivable	675,197	2,228,447	-	-	640,356	3,544,000
Taxes receivable	19,930	-	-	-	14,785	34,715
Taxes due from county treasurer	2,257	-	-	-	10,462	12,719
Special assessments receivable	85	-	-	-	16,746	16,831
Due from other funds	-	2,368,013	-	-	-	2,368,013
Interfund loans receivable	-	-	-	-	316,388	316,388
Total assets	\$ 882,056	\$ 6,958,333	\$ 349,083	\$ -	\$ 20,071,155	\$ 28,260,627
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ 555,475	\$ -	\$ -	\$ -	\$ 578,294	\$ 1,133,769
Escrow payable	30,000	-	-	-	-	30,000
Retainage payable	-	-	-	-	1,667,993	1,667,993
Salaries and benefits payable	344,158	-	-	-	76,628	420,786
Due to other funds	-	-	-	-	2,354,646	2,354,646
Interfund loans payable	316,388	-	-	-	-	316,388
Grant payable	-	-	-	-	79,909	79,909
Deferred revenues	20,015	-	-	-	31,531	51,546
Total liabilities	1,266,036	-	-	-	4,789,001	6,055,037
Fund Balances						
Nonspendable	-	-	-	-	1,366,388	1,366,388
Restricted	-	6,958,333	349,083	-	8,654,850	15,962,266
Committed	-	-	-	-	909,818	909,818
Assigned	-	-	-	-	8,059,477	8,059,477
Unassigned	(383,980)	-	-	-	(3,708,379)	(4,092,359)
Total fund balances	(383,980)	6,958,333	349,083	-	15,282,154	22,205,590
	\$ 882,056	\$ 6,958,333	\$ 349,083	\$ -	\$ 20,071,155	\$ 28,260,627

City of Williston

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position
Year Ended December 31, 2012

Total fund balances for governmental funds		\$ 22,205,590
Total net position reported for governmental activities in the statement of net position is different because:		
<p style="margin-left: 40px;">Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of capital assets	\$ 100,873,948	
Less accumulated depreciation	<u>(27,106,569)</u>	
Net capital assets		73,767,379
<p style="margin-left: 40px;">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	\$ 51,546	
Special assessments	<u>9,663,256</u>	
		9,714,802
<p style="margin-left: 40px;">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, 2012 are:</p>		
General obligation bonds payable	\$ (1,145,000)	
Revenue bonds payable	(11,525,000)	
Special assessment bonds payable	(12,370,000)	
Bond discounts	229,730	
Interest payable	(101,690)	
Compensated absences	<u>(745,082)</u>	
Total long-term liabilities		<u>(25,657,042)</u>
Total net position of governmental activities		<u>\$ 80,030,729</u>

City of Williston

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
Year Ended December 31, 2012

	General Fund	Sales Tax	2011 A Sales Bond	2011 Certificates of Indebtedness	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 4,469,612	\$ 20,804,554	\$ -	\$ -	\$ 5,841,100	\$ 31,115,266
Special assessments	-	-	-	-	1,142,533	1,142,533
Licenses, permits and fees	1,680,053	-	-	-	-	1,680,053
Intergovernmental	1,499,458	-	12,000,000	-	10,424,175	23,923,633
Intragovernmental	1,090,404	-	-	-	-	1,090,404
Charges for services	68,309	-	-	-	2,239,357	2,307,666
Fines, forfeitures and penalties	655,764	-	-	-	11,376	667,140
Interest	6,870	15,556	-	1,061	71,652	95,139
Oil and gas royalties	-	-	-	-	1,065,664	1,065,664
Miscellaneous	431,238	-	-	-	182,875	614,113
Total revenues	9,901,708	20,820,110	12,000,000	1,061	20,978,732	63,701,611
Expenditures						
Current						
General government	3,594,601	-	-	-	2,824,280	6,418,881
Public safety	3,273,809	-	-	-	1,366,720	4,640,529
Public works	3,621,509	-	-	-	524,819	4,146,328
Health and welfare	-	-	-	-	401,211	401,211
Culture and recreation	-	8,583,501	-	-	473,685	9,057,186
Economic development	381,571	-	-	-	859,123	1,240,694
Other	-	-	-	-	55,780	55,780
Capital outlay	1,669,380	-	-	-	22,535,366	24,204,746
Debt service						
Principal	-	-	1,140,000	12,000,000	955,000	14,095,000
Interest and fiscal charges	-	-	15,012	121,154	560,287	696,453
Total expenditures	12,540,870	8,583,501	1,155,012	12,121,154	30,556,271	64,956,808
Excess (deficiency) of revenues over (under) expenditures	(2,639,162)	12,236,609	10,844,988	(12,120,093)	(9,577,539)	(1,255,197)
Other Financing Sources (Uses)						
Sale of assets	5,500	-	-	-	46,830	52,330
Bonds issued	-	-	-	-	5,795,000	5,795,000
Bond discounts	-	-	-	-	(59,889)	(59,889)
Transfers in	2,196,537	1,824,703	-	12,148,433	29,973,652	46,143,325
Transfers out	(424,682)	(39,727,610)	(9,875,962)	-	(5,991,033)	(56,019,287)
Total other financing sources and uses	1,777,355	(37,902,907)	(9,875,962)	12,148,433	29,764,560	(4,088,521)
Net change in fund balances	(861,807)	(25,666,298)	969,026	28,340	20,187,021	(5,343,718)
Fund balance - January 1, as previously reported	477,827	32,624,631	(619,943)	(28,340)	(5,204,867)	27,249,308
Restatement (note 22)	-	-	-	-	300,000	300,000
Fund balance - January 1, as restated	477,827	32,624,631	(619,943)	(28,340)	(4,904,867)	27,549,308
Fund balance - December 31	\$ (383,980)	\$ 6,958,333	\$ 349,083	\$ -	\$ 15,282,154	\$ 22,205,590

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

City of Williston

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to
the Government-Wide Statement of Activities
Year Ended December 31, 2012

Net change in fund balances- total governmental funds \$ (5,343,718)

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 outlays exceeded depreciation in the current period.

Current year capital outlay	\$ 11,599,258	
Current year depreciation expense	<u>(2,503,825)</u>	9,095,433

In the statement of activities, donations of capital assets increase net position but donations of capital assets do not appear in the governmental funds because they are not financial resources.

Thus, the change in net position differs from the change in fund balance by the value of donated assets. 1,280,832

In the statement of activities, only the gain/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. (79,065)

Elimination of interfund activity

Interfund receipts	\$ (426,989)	
Interfund disbursements	<u>426,989</u>	-

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 increase in compensated absences	\$ (86,019)	
Net decrease in interest payable	<u>1,028</u>	(84,991)

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to
the Government-Wide Statement of Activities
Year Ended December 31, 2012

The proceeds of debt issuances are reported 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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount by which debt repayments exceeded bond proceeds and discounts on debt issued.

Bond proceeds	\$ (5,795,000)	
Bond discounts	59,889	
Repayment of debt	<u>14,095,000</u>	8,359,889

The amortization of bond discount is reported as an expense in the statement of activities but is not reported in the governmental funds. (113,903)

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. This consists of the increase in taxes and special assessments receivable. 4,275,098

Change in Net Position of Governmental Activities \$ 17,389,575

City of Williston

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 3,789,091	\$ 3,789,091	\$ 4,122,367	\$ 333,276
Licenses, permits and fees	226,450	226,450	1,680,053	1,453,603
Intergovernmental	1,064,460	1,064,460	1,499,458	434,998
Intragovernmental	774,288	774,288	1,090,404	316,116
Charges for services	21,500	21,500	67,709	46,209
Fines, forfeitures and penalties	297,450	297,450	640,560	343,110
Interest	25,000	25,000	6,870	(18,130)
Miscellaneous	174,750	174,750	431,238	256,488
Total revenues	<u>6,372,989</u>	<u>6,372,989</u>	<u>9,538,659</u>	<u>3,165,670</u>
Expenditures				
Current				
General government	2,031,687	2,031,687	3,041,537	(1,009,850)
Public safety	3,206,443	3,206,443	3,273,809	(67,366)
Public works	3,146,992	3,146,992	3,294,061	(147,069)
Economic development	405,209	405,209	381,571	23,638
Capital outlay	1,109,532	1,109,532	1,442,424	(332,892)
Total expenditures	<u>9,899,863</u>	<u>9,899,863</u>	<u>11,433,402</u>	<u>(1,533,539)</u>
Deficiency of revenues over expenditures	<u>(3,526,874)</u>	<u>(3,526,874)</u>	<u>(1,894,743)</u>	<u>1,632,131</u>
Other Financing Sources (Uses)				
Sale of assets	1,000	1,000	5,500	4,500
Transfers in	3,021,378	3,021,378	2,172,537	(848,841)
Transfers out	-	-	(1,233,690)	(1,233,690)
Total other financing sources (uses)	<u>3,022,378</u>	<u>3,022,378</u>	<u>944,347</u>	<u>(2,078,031)</u>
Net change in fund balances	(504,496)	(504,496)	(950,396)	(445,900)
Fund balance - January 1	<u>762,333</u>	<u>762,333</u>	<u>762,333</u>	<u>-</u>
Fund balance - December 31	<u>\$ 257,837</u>	<u>\$ 257,837</u>	<u>\$ (188,063)</u>	<u>\$ (445,900)</u>
Differences between budgetary and GAAP fund balance:				
General Fund			\$ (188,063)	
Planning Study			(2,762)	
Pension			(8,343)	
Parking Authority			9,243	
City Building			<u>(194,055)</u>	
GAAP fund balance (combined with General Fund for GAAP presentation)			<u>\$ (383,980)</u>	

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

City of Williston

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Sales Tax Fund
Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 4,500,000	\$ 4,500,000	\$ 20,804,554	\$ 16,304,554
Interest	-	-	15,556	15,556
Total revenues	<u>4,500,000</u>	<u>4,500,000</u>	<u>20,820,110</u>	<u>16,320,110</u>
Expenditures				
Current:				
Culture and recreation	-	-	8,583,501	(8,583,501)
Total expenditures	<u>-</u>	<u>-</u>	<u>8,583,501</u>	<u>(8,583,501)</u>
Excess of revenues over expenditures	<u>4,500,000</u>	<u>4,500,000</u>	<u>12,236,609</u>	<u>7,736,609</u>
Other Financing Sources (Uses)				
Transfers in	-	-	1,824,703	1,824,703
Transfers out	(3,750,000)	(3,750,000)	(39,727,610)	(35,977,610)
Total other financing sources (uses)	<u>(3,750,000)</u>	<u>(3,750,000)</u>	<u>(37,902,907)</u>	<u>(34,152,907)</u>
Net change in fund balances	<u>750,000</u>	<u>750,000</u>	<u>(25,666,298)</u>	<u>(26,416,298)</u>
Fund balance - January 1	<u>32,624,631</u>	<u>32,624,631</u>	<u>32,624,631</u>	<u>-</u>
Fund balance - December 31	<u>\$ 33,374,631</u>	<u>\$ 33,374,631</u>	<u>\$ 6,958,333</u>	<u>\$ (26,416,298)</u>

City of Williston
Statement of Net Position – Proprietary Funds
December 31, 2012

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Landfill Fund	Non Major Enterprise Fund	
Assets					
Current assets					
Cash and cash equivalents	\$ 1,947,451	\$ 6,223,157	\$ 5,423,439	\$ -	\$ 13,594,047
Accounts receivable, net	934,881	155,133	390,919	137,719	1,618,652
Inventory	115,504	16,487	-	-	131,991
Total current assets	<u>2,997,836</u>	<u>6,394,777</u>	<u>5,814,358</u>	<u>137,719</u>	<u>15,344,690</u>
Noncurrent assets					
Restricted cash and cash equivalents	2,025,375	198,250	422,057	-	2,645,682
Capital assets not being depreciated					
Land	380,156	-	79,514	-	459,670
Construction in progress	6,840,765	17,069,381	-	-	23,910,146
Capital assets (net of accumulated depreciation)					
Buildings	24,933,332	284,515	307,352	-	25,525,199
Improvements other than buildings	14,417,933	14,149,985	1,626,482	-	30,194,400
Equipment	655,880	308,446	389,911	1,000,983	2,355,220
Total noncurrent assets	<u>49,253,441</u>	<u>32,010,577</u>	<u>2,825,316</u>	<u>1,000,983</u>	<u>85,090,317</u>
Total assets	<u>\$ 52,251,277</u>	<u>\$ 38,405,354</u>	<u>\$ 8,639,674</u>	<u>\$ 1,138,702</u>	<u>\$ 100,435,007</u>
Liabilities					
Current liabilities					
Accounts payable	\$ 186,998	\$ 906,019	\$ 8,504	\$ 38,243	\$ 1,139,764
Retainage payable	200,699	314,024	-	-	514,723
Salaries and benefits payable	35,206	9,090	11,151	25,369	80,816
Deposits payable	35,529	-	20	-	35,549
Due to other fund	-	-	-	13,367	13,367
Accrued interest payable	157,071	11,564	4,810	-	173,445
Revenue bonds payable	1,460,000	160,000	105,000	-	1,725,000
Compensated absences	57,787	12,064	6,668	21,953	98,472
Total current liabilities	<u>2,133,290</u>	<u>1,412,761</u>	<u>136,153</u>	<u>98,932</u>	<u>3,781,136</u>
Noncurrent liabilities					
Revenue bonds payable	17,886,250	1,215,000	663,750	-	19,765,000
Bond discounts	(31,002)	(1,957)	(10,988)	-	(43,947)
Accrued closure and postclosure liability	-	-	364,057	-	364,057
Compensated absences	57,787	12,063	6,668	21,953	98,471
Total noncurrent liabilities	<u>17,913,035</u>	<u>1,225,106</u>	<u>1,023,487</u>	<u>21,953</u>	<u>20,183,581</u>
Total liabilities	<u>\$ 20,046,325</u>	<u>\$ 2,637,867</u>	<u>\$ 1,159,640</u>	<u>\$ 120,885</u>	<u>\$ 23,964,717</u>

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

City of Williston
Statement of Net Position – Proprietary Funds
December 31, 2012

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Landfill Fund	Non Major Enterprise Fund	
Net Position					
Net investment in capital assets	\$ 27,912,818	\$ 30,439,284	\$ 1,645,497	\$ 1,000,983	\$ 60,998,582
Restricted	2,025,375	198,250	422,057	-	2,645,682
Unrestricted	<u>2,266,759</u>	<u>5,129,953</u>	<u>5,412,480</u>	<u>16,834</u>	<u>12,826,026</u>
Total net position	<u><u>\$ 32,204,952</u></u>	<u><u>\$ 35,767,487</u></u>	<u><u>\$ 7,480,034</u></u>	<u><u>\$ 1,017,817</u></u>	<u><u>\$ 76,470,290</u></u>

City of Williston
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Landfill Fund	Non Major Enterprise Fund	
Operating Revenues					
Charges for service	\$ 8,890,304	\$ 1,262,208	\$ 4,247,628	\$ 1,481,021	\$ 15,881,161
Miscellaneous	83,323	217,686	10,394	61,238	372,641
Total operating revenues	<u>8,973,627</u>	<u>1,479,894</u>	<u>4,258,022</u>	<u>1,542,259</u>	<u>16,253,802</u>
Operating Expenses					
Salaries and benefits	865,233	330,872	322,396	670,171	2,188,672
Materials and supplies	3,624,522	282,826	427,136	417,016	4,751,500
Contractual services	55,601	2,273	251,800	2,952	312,626
Depreciation	1,333,470	469,838	310,768	359,892	2,473,968
Miscellaneous	215,802	6,278	13,643	2,337	238,060
Total operating expenses	<u>6,094,628</u>	<u>1,092,087</u>	<u>1,325,743</u>	<u>1,452,368</u>	<u>9,964,826</u>
Operating income	<u>2,878,999</u>	<u>387,807</u>	<u>2,932,279</u>	<u>89,891</u>	<u>6,288,976</u>
Nonoperating Revenues (Expenses)					
State grants	-	1,500,000	-	-	1,500,000
Interest income	-	-	96	-	96
Interest and service charges	(630,742)	(47,972)	(35,084)	-	(713,798)
Total nonoperating revenues (expenses)	<u>(630,742)</u>	<u>1,452,028</u>	<u>(34,988)</u>	<u>-</u>	<u>786,298</u>
Income before contributions and transfers	<u>2,248,257</u>	<u>1,839,835</u>	<u>2,897,291</u>	<u>89,891</u>	<u>7,075,274</u>
Contributions and Transfers					
Capital contributions	2,787,868	9,817,620	-	-	12,605,488
Transfers in	-	9,875,962	-	-	9,875,962
Total contributions and transfers	<u>2,787,868</u>	<u>19,693,582</u>	<u>-</u>	<u>-</u>	<u>22,481,450</u>
Change in net position	<u>5,036,125</u>	<u>21,533,417</u>	<u>2,897,291</u>	<u>89,891</u>	<u>29,556,724</u>
Net position - January 1, as previously reported	<u>27,168,827</u>	<u>14,234,070</u>	<u>4,330,181</u>	<u>927,926</u>	<u>46,661,004</u>
Restatement (note 22)	-	-	252,562	-	252,562
Net position - January 1, as restated	<u>27,168,827</u>	<u>14,234,070</u>	<u>4,582,743</u>	<u>927,926</u>	<u>46,913,566</u>
Net position - December 31	<u>\$ 32,204,952</u>	<u>\$ 35,767,487</u>	<u>\$ 7,480,034</u>	<u>\$ 1,017,817</u>	<u>\$ 76,470,290</u>

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

City of Williston
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Landfill Fund	Non Major Enterprise Fund	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 8,988,481	\$ 1,184,878	\$ 4,239,107	\$ 1,448,278	\$ 15,860,744
Payments to suppliers	(3,628,089)	656,543	(824,479)	(558,574)	(4,354,599)
Payments to employees	(814,751)	(319,480)	(313,455)	(644,312)	(2,091,998)
Other operating revenue	83,323	217,686	10,394	61,238	372,641
Net Cash Provided by Operating Activities	<u>4,628,964</u>	<u>1,739,627</u>	<u>3,111,567</u>	<u>306,630</u>	<u>9,786,788</u>
Cash Flows from Noncapital Financing Activities					
Transfers in	-	9,875,962	-	-	9,875,962
Advances from other funds	-	-	-	13,367	13,367
Net Cash provided by Noncapital Financing Activities	<u>-</u>	<u>9,875,962</u>	<u>-</u>	<u>13,367</u>	<u>9,889,329</u>
Cash Flows from Capital and Related Financing Activities					
Capital grants	-	1,500,000	-	-	1,500,000
Purchases and construction of capital assets	(2,741,933)	(6,908,621)	(122,729)	(493,015)	(10,266,298)
Principal paid on capital debt	(1,461,250)	(150,000)	(98,750)	-	(1,710,000)
Interest paid on capital debt	(629,478)	(48,740)	(31,115)	-	(709,333)
Net Cash used by Capital and Related Financing Activities	<u>(4,832,661)</u>	<u>(5,607,361)</u>	<u>(252,594)</u>	<u>(493,015)</u>	<u>(11,185,631)</u>
Cash Flows from Investing Activities					
Interest Income	-	-	96	-	96
Net change in cash and cash equivalents	<u>(203,697)</u>	<u>6,008,228</u>	<u>2,859,069</u>	<u>(173,018)</u>	<u>8,490,582</u>
Cash and cash equivalents, January 1	<u>4,176,523</u>	<u>413,179</u>	<u>2,986,427</u>	<u>173,018</u>	<u>7,749,147</u>
Cash and cash equivalents, December 31	<u><u>\$ 3,972,826</u></u>	<u><u>\$ 6,421,407</u></u>	<u><u>\$ 5,845,496</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,239,729</u></u>

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

City of Williston
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Landfill Fund	Non Major Enterprise Fund	
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 2,878,999	\$ 387,807	\$ 2,932,279	\$ 89,891	\$ 6,288,976
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation expense	1,333,470	469,838	310,768	359,892	2,473,968
Change in assets and liabilities					
Accounts receivable	98,177	(77,330)	(8,521)	(32,743)	(20,417)
Accounts payable	62,845	633,896	(132,503)	(136,269)	427,969
Retainage payable	200,699	314,024	(17,882)	-	496,841
Deposits payable	4,292	-	20	-	4,312
Salaries and benefits payable	22,290	4,585	6,627	15,981	49,483
Compensated absences	28,192	6,807	2,314	9,878	47,191
Closure/post closure costs	-	-	18,465	-	18,465
Net cash provided by operating activities	<u>\$ 4,628,964</u>	<u>\$ 1,739,627</u>	<u>\$ 3,111,567</u>	<u>\$ 306,630</u>	<u>\$ 9,786,788</u>
Noncash Investing, Capital, and Financing Activities					
Contribution of capital assets from capital project funds	<u>\$ 2,787,868</u>	<u>\$ 9,817,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,605,488</u>

City of Williston
Statement of Net Position – Fiduciary Funds
December 31, 2012

	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 116,596</u>
Total assets	<u><u>\$ 116,596</u></u>
Liabilities	
Due to other parties	<u><u>\$ 116,596</u></u>

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The accompanying financial statements present the activities of the City of Williston. 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 Williston 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 Williston.

Based on these criteria, there are no component units to be included within the City of Williston as a reporting entity.

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 Williston. 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 nonexchange 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, 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 units. 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 funds are aggregated and reported as nonmajor 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange 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.

Sales Tax fund – This fund accounts for the financial resources of the city sales tax which is dedicated to city infrastructure replacement, city debt retirement and school infrastructure improvement.

2011 A Sales Bond – This fund accounts for debt service activities of the city.

2011 Certificates of Indebtedness – This fund accounts for debt service activities of the city.

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 treatment plant and water distribution system in the City of Williston.

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 Williston.

Landfill fund – This fund accounts for the activities of the Landfill Department. This department operates the landfill site in the City of Williston.

Additionally, the city reports the following fund types:

Agency Funds – These funds account for assets by the City in a custodial capacity as an agent on behalf of others.

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. Nonexchange 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 are 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 to general revenues.

As a general rule, the city has eliminated the effect of interfund activity from the government-wide financial statements. Exceptions to this rule are when various charges exist between different functions of government (i.e. water and sewer charges to other various functions of the City). Elimination of these charges would distort direct costs and program revenues reported for the various functions concerned.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Budgetary Information

The governing board adopts an annual budget on a basis consistent with GAAP for the general fund, each special revenue fund and each debt service fund of the municipality except as noted in the following paragraph.

For budgetary purposes, the City has established separate "special revenue funds" that do not meet the definition of special revenue funds as set forth in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Due to this, these funds are reported as part of the general fund for financial reporting purposes but are not included with the general fund for budgetary purposes. The budgeted and actual amounts presented in the budget to actual statement for the general fund do not include the City's separately established "special revenue funds" which results in a budgetary to GAAP reconciliation on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- On or before September 10th of the preceding fiscal year, the city prepares a preliminary budget for the next succeeding year beginning January 1st. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1st, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10th.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid investments with an original maturity of three months or less.

The investments of the City's governmental and enterprise funds, during the year ended December 31, 2012, consisted of certificates of deposit stated at cost.

Investments in Partnerships

Investments in partnerships consist of limited partnership interests in entities owning real estate. The investments in the limited partnership interests are stated at cost. Distributions received are recorded as income.

Inventories

Inventories are valued at cost using the first in first out (FIFO) method. The costs of business fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial 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 prior to July 1, 1980 are reported at historical cost using 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 of the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Buildings and improvements	50 years
Infrastructure	50 years
Equipment	5-30 years

Compensated Absences

Full-time non-fire department employees are granted vacation benefits from 1 to 1.75 days per month depending on tenure with the city. Fire department employees on 24.25 hour shifts earn 12-24 hours per month depending on the tenure with the city. Part-time employees working an established schedule of 20 or more hours per week are eligible for vacation benefits on a prorated basis. Full-time non-fire department employees can accrue up to a maximum of 30 days of vacation at year end. Fire department employees can accrue up to a maximum of 144 to 288 days of vacation at year end depending on tenure with the city. Upon termination of employment, full-time non-fire department employees will be paid for vacation benefits that have been accrued to a maximum of 30 days and fire department employees will be paid 144 to 288 days depending on tenure with the city.

For full-time non-fire department employees, sick leave benefits accrue at the rate of 1 day per month. For fire department employees on 24.25 hour shifts, sick leave benefits accrue at the rate of 12 hours per month. Part-time employees working an established schedule of 20 or more hours per week are eligible for sick leave on a pro rata basis. Unused sick leave benefits are allowed to accumulate to 60 days for all full-time employees except water treatment plant employees who are on 10 hour shifts who can accumulate 600 hours and full-time department employees who can accumulate 720 hours. Each year in January employees are paid for one-half of accumulated sick leave in excess of the maximum carry over amount. Upon termination of employment or retirement, unused sick leave will be paid at a rate of 50% of the employee's regular pay rate for unused days.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Sales Tax Revenue

The City receives sales tax payments through the State for local purchases. The sales tax is subject to a refund cap which is performed at the state level. The sales tax refunds are not measurable by the City until the City is notified by the State as to the amount of the refunds and the refunds are recorded at that time. Proceeds of the sales tax payments are dedicated to property tax relief through debt reduction, to necessary infrastructure and to economic and community development.

Fund Equity

The City follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority. The City Commission has delegated authority to assign fund balance to the City Auditor.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditures, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts unless the governing board has provided otherwise in its commitment or assignment actions.

As of December 31, 2012, the specific purposes of the fund balance classifications consisted of the following:

	General Fund	Sales Tax	2011 A Sales Bond	Other Governmental Funds	Total Governmental Funds
Fund Balances					
Nonspendable					
Interfund loan receivable	\$ -	\$ -	\$ -	\$ 316,388	\$ 316,388
Urban and economic development	-	-	-	1,050,000	1,050,000
Restricted for:					
Urban and economic development	-	6,958,333	-	4,675,032	11,633,365
General government	-	-	-	153,834	153,834
Public works	-	-	-	502,464	502,464
Public safety	-	-	-	3,939	3,939
Health and welfare	-	-	-	42,579	42,579
Capital projects	-	-	-	570,793	570,793
Debt service	-	-	349,083	2,706,209	3,055,292
Committed for:					
General government	-	-	-	136,118	136,118
Public safety	-	-	-	773,700	773,700
Assigned for:					
General government	-	-	-	2,135,960	2,135,960
Public works	-	-	-	1,561,975	1,561,975
Culture and recreation	-	-	-	129,563	129,563
Capital projects	-	-	-	2,667,658	2,667,658
Debt service	-	-	-	1,564,321	1,564,321
Unassigned	(383,980)	-	-	(3,708,379)	(4,092,359)
Total fund balances	<u>\$ (383,980)</u>	<u>\$ 6,958,333</u>	<u>\$ 349,083</u>	<u>\$ 15,282,154</u>	<u>\$ 22,205,590</u>

Note 2 - Legal Compliance – Budgets

Budget Amendments

The city's governing board did not amend the city budgets for the year ended December 31, 2012.

Excess of Actual Expenditures over Budget

Expenditures exceeded budget in the following funds:

General fund	\$ (1,533,539)
Sales tax	(8,583,501)
Ambulance	(10,883)
Visitor's Promotion	(211,127)
Williston Community Library	(34,540)
Mosquito	(51,211)
Old Armory	(102,236)
Airport	(72,234)
Community Development	(187,564)
2011 A Sales Bond	(593,418)
2011 B Tax Anticipation Bond	(45,221)
Equipment Reserve	(58,976)
Refuse	(354,536)

No remedial action is anticipated or required by the city commission regarding these excess expenditures.

Note 3 - Deposits and Investments

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 institutions 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 end December 31, 2012, the city's carrying amount of deposits was \$36,330,785 for City funds and \$116,596 for agency funds. The bank balance was \$37,510,036. Of the bank balances, \$1,500,000 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name or were deposits with the Bank of North Dakota.

Credit Risk

The city may invest idle funds as authorized by 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, 2012, the city’s cash and cash equivalents include amounts in demand deposits, money markets accounts, and highly liquid investments with an original maturity of three months or less.

Note 4 - Restricted Cash and Cash Equivalents

The City of Williston’s grant/loan covenants require certain reservations of the City of Williston’s net position. These amounts are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The restricted portions are as follows:

Restricted for debt service - water fund	\$ 2,025,375
Restricted for debt service - sewer fund	198,250
Restricted for debt service - landfill fund	58,000
Restricted for closure and post-closure costs	<u>364,057</u>
	<u><u>\$ 2,645,682</u></u>

Note 5 - Accounts Receivable

Accounts receivable consists of amounts on open account from individuals for goods and services furnished by the city. The carrying amount of the accounts receivable is reduced by an amount that reflects management’s best estimates of the amounts that will not be collected. The City had allowances for uncollectible accounts totaling \$260,423 for governmental activities accounts receivable and \$28,000 for business-type activities accounts receivable recorded at December 31, 2012.

Note 6 - Intergovernmental Receivable

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

Note 7 - Taxes Receivable

The taxes receivable represents the past four years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable. As of December 31, 2012 all accounts are considered collectible.

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 1st. The property taxes attach as an enforceable lien on property on January 1st. 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 1st and the second installment is due by October 15th. A 5% discount is allowed if all taxes and special assessments are paid by February 15th. After the due date, 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 15th and receive the 5% discount on the property taxes.

Note 8 - Due from County Treasurer

The amount of taxes due from county treasurer consists of the cash on hand for taxes collected but not remitted to the City at December 31, 2012.

Note 9 - Special Assessments Receivable

Special assessments receivable consists of uncollected special assessments due the City at December 31st and uncertified special assessments, which represents a long-term receivable in the financial statements. No allowance has been established for uncollectible special assessments. As of December 31, 2012 all accounts are considered collectible.

Note 10 - Due from/to other Funds

Interfund receivables (due from other funds) and payables (due to other funds) are used when a fund has a cash deficit. Due from/to other funds at December 31, 2012 consisted of the following:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Sales tax fund	\$ 2,368,013	\$ -
Other governmental funds	-	2,354,646
Non major enterprise fund	-	13,367
	<u>\$ 2,368,013</u>	<u>\$ 2,368,013</u>

Note 11 - Interfund Loans Receivable/Payable

The interfund loans receivable/payable consist of loans from the equipment reserve fund to the general fund for the purchase of a fire truck and equipment.

One loan was made in 2003 for \$360,000 and carries an interest rate of 5 percent. Annual payments of \$25,543 are due through July 31, 2028. The balance at December 31, 2012 is \$276,828.

The other loan was made in 2011 for \$66,000 and carries an interest rate of 4.75 percent. Annual payments of \$14,657 are due through January 1, 2015. The balance at December 31, 2012 is \$39,560.

Note 12 - Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Transfers	Deletions	Balance December 31, 2012
Governmental activities					
Capital assets not being depreciated					
Land	\$ 6,836,590	\$ -	\$ -	\$ -	\$ 6,836,590
Construction in progress	1,184,763	6,907,649	(50,392)	-	8,042,020
Total	<u>8,021,353</u>	<u>6,907,649</u>	<u>(50,392)</u>	<u>-</u>	<u>14,878,610</u>
Capital assets, being depreciated					
Buildings	13,843,591	238,781	17,000	(330,931)	13,768,441
Improvements other than buildings	860,639	16,210	-	-	876,849
Equipment	9,017,856	2,330,496	-	-	11,348,352
Infrastructure	56,581,350	3,386,954	33,392	-	60,001,696
Total	<u>80,303,436</u>	<u>5,972,441</u>	<u>50,392</u>	<u>(330,931)</u>	<u>85,995,338</u>
Less accumulated depreciation					
Buildings	4,587,885	278,731	-	(251,866)	4,614,750
Improvements other than buildings	458,791	18,393	-	-	477,184
Equipment	7,208,428	896,871	-	-	8,105,299
Infrastructure	12,599,506	1,309,830	-	-	13,909,336
Total	<u>24,854,610</u>	<u>2,503,825</u>	<u>-</u>	<u>(251,866)</u>	<u>27,106,569</u>
Total capital assets being depreciated, net	<u>55,448,826</u>	<u>3,468,616</u>	<u>50,392</u>	<u>(79,065)</u>	<u>58,888,769</u>
Governmental activities - capital assets, net	<u>\$ 63,470,179</u>	<u>\$ 10,376,265</u>	<u>\$ -</u>	<u>\$ (79,065)</u>	<u>\$ 73,767,379</u>

City of Williston
Notes to Financial Statements
December 31, 2012

	Balance January 1, 2012	Additions	Transfers	Deletions	Balance December 31, 2012
Business-type activities					
Capital assets not being depreciated					
Land	\$ 459,670	\$ -	\$ -	\$ -	\$ 459,670
Construction in progress	8,935,201	16,924,656	(1,949,711)	-	23,910,146
Total	<u>9,394,871</u>	<u>16,924,656</u>	<u>(1,949,711)</u>	<u>-</u>	<u>24,369,816</u>
Capital assets, being depreciated					
Buildings	33,334,947	99,106	-	-	33,434,053
Improvements other than buildings	35,149,134	4,914,868	1,949,711	-	42,013,713
Equipment	5,949,291	933,156	-	(101,293)	6,781,154
Total	<u>74,433,372</u>	<u>5,947,130</u>	<u>1,949,711</u>	<u>(101,293)</u>	<u>82,228,920</u>
Less accumulated depreciation					
Buildings	7,240,173	668,681	-	-	7,908,854
Improvements other than buildings	10,891,260	928,053	-	-	11,819,313
Equipment	3,649,993	877,234	-	(101,293)	4,425,934
Total	<u>21,781,426</u>	<u>2,473,968</u>	<u>-</u>	<u>(101,293)</u>	<u>24,154,101</u>
Total capital assets being depreciated, net	<u>52,651,946</u>	<u>3,473,162</u>	<u>1,949,711</u>	<u>-</u>	<u>58,074,819</u>
Business-type activities - capital assets, net	<u>\$ 62,046,817</u>	<u>\$ 20,397,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,444,635</u>

Depreciation expense was charged to the following functions in the statement of activities for the current fiscal year:

Governmental activities	
General government	\$ 717,199
Public safety	360,162
Public works	1,338,434
Economic development	8,048
Culture and recreation	79,982
Total depreciation expense for governmental activities	<u>\$ 2,503,825</u>
Business type activities	
Water	\$ 1,333,470
Sewer	469,838
Landfill	310,768
Refuse	359,892
Total depreciation expense for business-type activities	<u>\$ 2,473,968</u>

As of December 31, 2012, the City had outstanding commitments of \$9,308,204 related to construction projects.

Note 13 - Long-Term Obligations

During the year ended December 31, 2012, the following changes occurred in long-term liabilities of the city:

Governmental Activities

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Due Within One Year
Compensated absences	\$ 659,063	\$ 502,306	\$ 416,287	\$ 745,082	\$ 372,541
General obligation	1,305,000	-	160,000	1,145,000	160,000
Revenue bonds	12,805,000	-	1,280,000	11,525,000	1,295,000
Certificates of indebtedness	12,000,000	-	12,000,000	-	-
Special assessment	7,230,000	5,795,000	655,000	12,370,000	930,000
Total	\$ 33,999,063	\$ 6,297,306	\$ 14,511,287	\$ 25,785,082	\$ 2,757,541

Business-Type Activities

Compensated absences	\$ 149,752	\$ 131,361	\$ 84,170	\$ 196,943	\$ 98,472
Revenue bonds	23,200,000	-	1,710,000	21,490,000	1,725,000
Total	\$ 23,349,752	\$ 131,361	\$ 1,794,170	\$ 21,686,943	\$ 1,823,472

Outstanding debt at December 31, 2012 (excluding compensated absences) consisted of the following issues:

Governmental Activities

General Obligation

\$260,000 Highway and Arterial Street Bonds of 2000 - due in annual installments of \$15,000 to \$25,000 through May 1, 2015; interest at 4.70% to 5.40%; liquidated out of the Municipal Highway Fund.	\$ 75,000
\$1,215,000 General Obligation Airport Revenue Bonds of 2004 Series A - due in annual installments of \$65,000 to \$105,000, through May 1, 2019; interest at 3.20% to 4.50%; liquidated out of the Airport Fund.	645,000
\$800,000 General Obligation Airport Revenue Bonds of 2004 Series B - due in annual installments of \$40,000 to \$70,000 through May 1, 2019; interest at 2.00% to 4.50%; liquidated out of the Airport Fund.	425,000
Total	\$ 1,145,000

General obligation bonds are issued to provide funds for the acquisition and construction of major capital items. They are direct obligations and pledge the full faith and credit of the City of Williston. The City has pledged future revenues, net of specified operating expenses, to repay the general obligation airport revenue bonds. Proceeds from the bonds provided financing for the construction of the City's airport terminal. The bonds are payable from revenues and fees and charges collected for use of the Municipal Airport in Williston and property tax revenues and are payable through 2019. The total principal and interest remaining to be paid on the bonds is \$1,344,859. Principal and interest paid for the current year and total customer and tax revenues were \$182,954 and \$587,650, respectively.

Revenue Bonds

\$1,500,000 Sales Tax Revenue Bonds of 2010 - due in annual installments of \$140,000 to \$165,000 through May 1, 2020; interest at 1.00% to 2.50%; liquidated out of the Airport Fund	\$ 1,220,000
\$10,000,000 Sales Tax Revenue Bonds of 2011 Series B - due in annual installments of \$270,000 to \$1,855,000 through May 1, 2020; interest at 0.75% to 3.00%; liquidated out of the 2011 B Tax Anticipation Bond Fund	10,000,000
\$2,000,000 Sales Tax Revenue Bonds of 2011 Series A - due in annual installments of \$305,000 to \$570,000 through May 1, 2013; interest at 1.00% to 1.25%; liquidated out of the 2011 A Sales Bond Fund	<u>305,000</u>
Total	<u><u>\$ 11,525,000</u></u>

Revenue bonds are issued to finance capital improvement projects in which revenue from operations of such improvement projects or revenue is pledged from a designated revenue stream is used pay the debt service. The City has committed to appropriate each year, the portion of the City's one percent sales and use tax revenues necessary to pay the annual principal and interest requirements on the revenue bonds. Proceeds from the bonds provided financing for the construction of a hangar at the Williston Airport and infrastructure needs of the city. The bonds are payable through 2020. The total principal and interest remaining to be paid on the bonds is \$12,779,717. Principal and interest paid for the current year and total customer and tax revenues were \$1,533,065 and \$10,947,655, respectively.

Special Assessment

\$190,000 Refunding Improvement Bonds of 2000 - due in annual installments of \$5,000 to \$15,000 through May 1, 2015; interest at 4.85% to 5.40%; liquidated out of the 2000 Refunding Fund.	\$ 15,000
\$695,000 Refunding Improvement Bonds of 2003 - due in annual installments of \$40,000 to \$55,000 through May 1, 2018; interest at 1.50% to 4.00%; liquidated out of the 2003 Refunding Fund.	240,000
\$830,000 Refunding Improvement Bonds of 2004 - due in annual installments of \$45,000 to \$65,000, through May 1, 2019; interest at 3.10% to 4.50%; liquidated out of the 2004 Refunding Fund.	380,000
\$440,000 Refunding Improvement Bonds of 2006 Series A - due in annual installments of \$20,000 to \$40,000, starting on May 1, 2008 through May 1, 2022; with interest at 3.625% to 4.0%; liquidated out of the Tax Increment # 4 Fund.	325,000
\$855,000 Refunding Improvements Bonds of 2006 Series B - due in annual installments of \$45,000 to \$65,000 through May 1, 2021; with interest at 3.55% to 4.10%; liquidated out of the 2006 Refunding Fund.	485,000
\$1,020,000 Refunding Improvement Bonds of 2007 - due in annual installments of \$65,000 to \$80,000 through May 1, 2022; interest at 3.60% to 4.15%; liquidated out of the 2007 Refunding Fund.	625,000
\$2,580,000 Refunding Improvement Bonds of 2009 - due in annual installments of \$160,000 to \$190,000 through May 1, 2024; interest at 2.5% to 4%; liquidated out of the 2009 Refunding Fund	2,045,000
\$1,900,000 Refunding Improvement Bonds of 2010 - due in annual installments of \$80,000 to \$120,000 through May 1, 2030; interest at 1.00% to 4.10%; liquidated out of the 2010A Refunding 1.9 Mil Fund	1,780,000
\$740,000 Refunding Improvement Bonds of 2010 Series B - due in annual installments of \$45,000 to \$60,000 through May 1, 2025; interest at 1.00% to 3.75%; liquidated out of the 2010B Refunding 740,000 Fund	680,000
\$5,795,000 Refunding Improvement Bonds of 2012 - due in annual installments of \$271,700 to \$402,648 through May 1, 2032; interest at 1.00% to 3.00%; liquidated out of the 2012 Refunding Fund.	5,795,000
Total	<u>\$ 12,370,000</u>

Special assessment debt is generally issued every three years to provide funds for the cost of various improvement districts within the city. Special assessments on benefited property are used to pay for the improvement costs. The City is legally obligated to meet any deficiencies by levying an ad valorem tax.

Business-Type Activities

Enterprise Revenue Bonds

\$685,000 Water Revenue Bonds of 1999 - due in annual installments of \$40,000 to \$65,000 through May 1, 2014; interest at 4.80% to 5.40%; liquidated out of the Water Fund.	\$ 125,000
\$445,000 Sewer Utility Revenue Bond of 2000 - due in annual installments of \$25,000 to \$45,000 through May 1, 2015; interest at 4.65% to 5.30%; liquidated out of the Sewer Fund.	125,000
\$455,000 Water Utility Revenue Bond of 2000 - due in annual installments of \$25,000 to \$45,000 through May 1, 2015; interest at 4.65% to 5.30%; liquidated out of the Water Fund.	125,000
\$580,000 Landfill Revenue Bond of 2002 - due in annual installments of \$30,000 to \$50,000 through May 1, 2017; interest at 2.80% to 5.00%; liquidated out of the Landfill Fund.	235,000
\$1,080,000 Storm Sewer Improvement Revenue Bond of 2002 - due in annual installments of \$50,000 to \$70,000 through September 1, 2021; interest at 2.50%; liquidated out of the Sewer Fund.	575,000
\$3,748,977 Water Storage Reservoir System Bond of 1999 - due in annual installments of \$165,000 to \$245,000 through September 1, 2021; interest at 2.50%; liquidated out of the Water Fund.	2,000,000
\$1,190,559 Sewer Treatment Plant Improvement Bond of 2003 - due in annual installments of \$50,000 to \$75,000 through September 1, 2022; interest at 2.50%; liquidated out of the Sewer Fund.	675,000
\$3,408,344 Water Treatment Revenue Bonds of 2003, due in annual installments of \$155,00 to \$230,000 through September 1, 2023; interest at 2.5%; liquidated out of the Water Fund.	2,255,000
\$17,593,148 Water Treatment Revenue Bonds of 2006, due in annual installments of \$628,143 to \$1,105,000 through September 1, 2026, interest at 2.5%; liquidated out of the Water Fund.	13,240,000
\$2,820,000 Sales Tax Revenue Bonds of 2009, due in annual installments of \$220,000 to \$300,000 through May 1, 2020, interest at 2.0% to 3.8%; liquidated out of the Water and Landfill Funds.	2,135,000
Total	<u>\$ 21,490,000</u>

The City has pledged future revenues, net of specified operating expenses, and a portion of the City's one percent sales and use tax to repay the enterprise revenue bonds. Proceeds from the bonds provided financing for the construction and capital improvements to the City's water treatment plant, sanitary sewer system and landfill site. The bonds are payable from water, sewer and landfill customer net revenues and through a portion of the City's sales and use tax. The City has committed to appropriate each year, sales and use tax revenues sufficient to cover the principal and interest requirements of the City's sales tax revenue bonds. The bonds are payable through 2026. The total principal and interest remaining to be paid on the bonds is \$25,248,326. Principal and interest paid for the current year and total customer and supplemental sales tax revenues were \$2,419,333 and \$10,947,655, respectively.

The City's bond documents include covenants that, in part, impose maintenance of certain reserve requirements and net operating revenues to debt service ratios. The City was in compliance with all financial covenants as of December 31, 2012.

The future expected requirements to amortize long-term debt (excluding compensated absences) including interest, are as follows:

Governmental Activities

<u>Year ended December 31,</u>	General Obligation		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 160,000	\$ 54,794	\$ 214,794
2014	165,000	46,308	211,308
2015	175,000	37,258	212,258
2016	150,000	27,306	177,306
2017	155,000	18,669	173,669
2018-2022	340,000	15,525	355,525
Total	<u>\$ 1,145,000</u>	<u>\$ 199,860</u>	<u>\$ 1,344,860</u>

<u>Year ended December 31,</u>	Governmental Revenue Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,295,000	\$ 238,531	\$ 1,533,531
2014	1,310,000	223,707	1,533,707
2015	1,325,000	204,998	1,529,998
2016	1,345,000	183,529	1,528,529
2017	1,380,000	157,658	1,537,658
2018-2022	4,870,000	246,295	5,116,295
Total	<u>\$ 11,525,000</u>	<u>\$ 1,254,718</u>	<u>\$ 12,779,718</u>

<u>Year ended December 31,</u>	Special Assessment		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 930,000	\$ 312,473	\$ 1,242,473
2014	955,000	306,719	1,261,719
2015	940,000	285,871	1,225,871
2016	925,000	264,615	1,189,615
2017	905,000	242,656	1,147,656
2018-2022	3,845,000	864,076	4,709,076
2023-2027	2,315,000	392,779	2,707,779
2028-2032	1,555,000	112,289	1,667,289
Total	<u>\$ 12,370,000</u>	<u>\$ 2,781,478</u>	<u>\$ 15,151,478</u>

Business-Type Activities

<u>Year ended December 31,</u>	Enterprise Revenue		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,725,000	\$ 560,526	\$ 2,285,526
2014	1,765,000	512,085	2,277,085
2015	1,760,000	463,250	2,223,250
2016	1,710,000	416,515	2,126,515
2017	1,755,000	370,728	2,125,728
2018-2022	8,285,000	1,159,848	9,444,848
2023-2027	4,490,000	275,375	4,765,375
Total	<u>\$ 21,490,000</u>	<u>\$ 3,758,327</u>	<u>\$ 25,248,327</u>

Note 14 - Conduit Debt

Municipal Industrial Development Bonds

From time to time, the City has issued Municipal Industrial Development Act (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 the property financed and are payable solely from 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 issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2012, there were three series of MIDA Bonds outstanding. The aggregate principal amount payable for the three series could not be determined; however, their original issue amounts totaled \$28,813,000.

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, 2012, there was one CDBG loan outstanding, with a principal amount payable of \$80,796.

Note 15 - Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its landfill site when closed and to perform certain maintenance and monitoring functions at the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$364,057 at December 31, 2012, which is based on 69.62% usage (filled) of the landfill. It is estimated that an additional \$158,883 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care of \$522,920 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2012. The estimated remaining life of the landfill is 27 years. However, the actual cost of closure and postclosure care may be higher due to inflation, changes to technology, or changes in landfill laws and regulations.

Note 16 - Pension Plan

North Dakota Public Employees' Retirement System

The City contributes to the North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 East Broadway, Suite 505, PO Box 1214, Bismarck, ND 58502-1214.

Plan members are required to contribute 5% of their annual covered salary. The City is required to contribute 6.26% of the employees' salary which consists of 5% for employee retirement and 1.26% for the retiree health benefits fund. The City has agreed to pay .88% of the member assessments in lieu of a salary increase.

Starting January 1, 2005 City joined the NDPERS law enforcement plan. Law enforcement plan members are required to contribute 4.5% of their annual covered salary. The City is required to contribute 9.95% of the employees' salary, which consists of 8.81% for employee retirement and 1.14% for the retiree health benefits fund. The city does not pay a portion of the member assessments in lieu of a salary increase.

The contribution requirements of plan members and the City are established and may be amended by the state legislature. The City's contributions to NDPERS for the years ended December 31, 2012, 2011, and 2010 were \$521,159, \$332,617, and \$278,478, respectively, equal to the required contributions for the year.

Note 17 - Deferred Compensation Plan

The city offers its employees a retirement plan under deferred compensation plans created in accordance with Internal Revenue Code Section 457. The main provider of these plans is through Nationwide Retirement Solutions. For those employees who opted not to join North Dakota Public Employees' Retirement Systems (NDPERS) when the city switched to NDPERS in 2004, the city contributes 6% of employee's salaries into the plan. The city's contribution to the plan for the years ending December 31, 2012, 2011, and 2010 were \$31,905, \$40,668, and \$58,855, respectively, equal to the required contributions for the year.

The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

Note 18 - Risk Management

The City of Williston 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, the 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, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of 1,000,000 per occurrence for general liability, \$1,000,000 per occurrence for automobile liability coverage and \$3,325,890 for inland marine coverage.

The City 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 participates in the North Dakota Worker's Compensation Bureau and self-insures for employee health and accident insurance, but reinsures for stop loss coverage with a commercial insurance company. Commercial insurance is also purchased for steam boiler and airport general liability coverage.

The City of Williston has workers compensation with the North Dakota Workforce Safety and Insurance. The city provides health insurance plan through Blue Cross/Blue Shield of North Dakota for their employees through NDPERS. The city pays 80% of the cost of the plan, and the employee pays 20%.

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

Note 19 - Fund Deficits

The following funds were in a deficit position at December 31, 2012:

General fund	\$ (383,980)
Water and sewer improvements 12-4	(238,952)
Baker Hughes sewer P190	(951,168)
911 communications	(9,077)
Tax increment #4 - Spring Creek	(120,013)
Airport project 32 construction	(4,833)
Water, sewer and street improvements 10-3	(3,843)
Airport project 33 master plan update	(43,240)
Airport maintenance facility	(1,361,480)
Water, sewer and street improvements 11-3	(7,405)
Street and alley improvements 11-4	(21,828)
P180 E Frontage road and 2nd Ave W	(63,301)
Airport project 34	(14,868)
Airport project 35	(68,904)
12-5 Tofte Bean	(141,142)
12-6 water, sewer and street improvements	(471,467)
D13-4 23rd St sewer improvements	(5,764)
D12-10 water, sewer and street improvements	(181,094)
	<u>\$ (4,092,359)</u>

The City will relieve the deficits with future collections, bond issuances or transfers from other funds.

Note 20 - Transfers

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2012:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	
General Fund	\$ 2,196,537	\$ 424,682	Budget Transfer
Sales Tax	1,824,703	27,579,177	Budget Transfer
Sales Tax	-	12,148,433	Budget Transfer
2011 A Sales Bond	-	9,875,958	Budget Transfer
2011 Certificates of Indebtedness	12,148,433	-	Budget Transfer
Other Governmental Funds	424,682	1,824,703	Budget Transfer
Other Governmental Funds	1,969,797	1,969,797	Budget Transfer
Other Governmental Funds	27,579,177	2,196,537	Budget Transfer
Sewer Fund	9,875,958	-	Budget Transfer
	<u>\$ 56,019,287</u>	<u>\$ 56,019,287</u>	
Total transfers			

Note 21 - Western Area Water Supply Authority

The City is a member of the Western Area Water Supply Authority (the “Authority”) which was formed to own, finance, construct and operate the Western Area Supply Project (the “Project”). The Project is a comprehensive water project utilizing Missouri River water treated at the Williston Regional Water Treatment Plant and distributed to meet the municipal, rural and industrial water needs for all or parts of McKenzie, Williams, Divide, Burke and Mountrail Counties.

The City has entered into various agreements with the Authority to participate in the objectives of the Project, the terms of which are from March 2012 through the earlier of the debt repayment period in which any of the Authority’s debt remains outstanding or 99 years after the effective date. As part of these agreements, the City has agreed to sell and the Authority has agreed to purchase, the entire output of the treated water from the City of Williston Regional Water Treatment Plant (the “Plant”). The City has then agreed to repurchase a minimum monthly quantity of 45,640,000 gallons of the treated water from the Authority at a rate of \$1.83/1,000 gallons for City use, which consists primarily of sales to residential and commercial city users.

The City and the Authority have also entered into agreements related to the operations and use of additional infrastructure necessary to distribute the treated water as part of the Project. The City will continue to operate the Plant and is responsible for all operations, maintenance and repairs of the Plant and the additional infrastructure necessary to distribute water as part of the Project subject to the Authority’s input and oversight as set forth in the agreements. As consideration for the sale of the treated water from the City to the Authority and for access, use & operations of the additional infrastructure, the Authority will reimburse the City for annual debt service payments related to the Plant and infrastructure, certain operating and maintenance and capital expenditures related to the Plant and a baseline industrial water sales revenue amount of \$1,400,059 per year.

The agreements also provide the Authority an option to purchase the Plant and additional infrastructure at any time during the term of the agreement plus 60 days thereafter at a price of \$1 plus the outstanding balance of debt associated with the Plant and infrastructure.

Note 22 - Restatement

Prior to January 1, 2012, the City did not include December landfill usage as part of the corresponding year's revenue because the invoices related to the landfill usage were not generated until January of the subsequent year. The beginning net position of the Landfill Fund and the Business-Type Activities has been restated to reflect the understatement of the landfill revenues and receivables as reported in the prior financial statements. The effect of the restatement is as follows:

	Landfill Fund	Business-Type Activities
Net position - January 1, as previously reported	\$ 4,330,181	\$ 46,661,004
Restatement		
Landfill charges for services	252,562	252,562
Net position - January 1, as restated	\$ 4,582,743	\$ 46,913,566

Prior to January 1, 2012, the City made a \$300,000 loan to a local entity and recorded a \$300,000 expenditure when they disbursed the funds. The correct treatment of this transaction should have been to record a \$300,000 loan receivable. The beginning fund balance of the other governmental funds and the beginning net position of governmental activities have been restated to reflect the overstatement of the expenditures and understatement of loans receivable as reported in the prior financial statements. The effect of the restatement is as follows:

	Other Governmental Funds	Governmental Activities
Fund balance/net position - January 1, as previously reported	\$ (5,204,867)	\$ 62,341,154
Restatement		
Loan receivable	300,000	300,000
Fund balance/net position - January 1, as restated	\$ (4,904,867)	\$ 62,641,154



Supplementary Information
December 31, 2012
City of Williston



**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards***

The City Commission
City of Williston
Williston, North Dakota

We have audited, 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, the financial statements of the governmental activities, the businesses-type activities, each major fund, and the aggregate remaining fund information of the City of Williston, North Dakota as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2014. The report on the governmental activities, business-type activities, water fund and sewer fund was qualified due to departures from generally accepted accounting principles in recording contributed capital.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-001, 2012-002, 2012-003, 2012-004 and 2012-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-006 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 Williston's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Bismarck, North Dakota
January 21, 2014



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

The City Commission
City of Williston
Williston, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Williston, North Dakota's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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'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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs for the year ended December 31, 2012.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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'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 compliance requirement 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-007 that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bismarck, North Dakota
January 21, 2014

City of Williston

Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Federal Grantor, Pass-through Grantor and Program Title	Pass-through Grant Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing & Urban Development</u>			
Passed through North Dakota Division of Community Services Community Development Block Grant - States Program	2013-CD0506-H, 3406-CD11-H	14.228	\$ 212,564
Total U.S. Department of Housing and Urban Development			212,564
<u>U.S. Department of Justice</u>			
Bulletproof Vest Partnership Program		16.607	1,528
Passed through ND Highway Patrol Enforcing Underage Drinking Laws		16.727	1,300
Passed through North Dakota Department of Attorney General Edward Byrne Memorial Justice Assistance Grant	11215	16.738	4,773
Total U.S. Department of Justice			7,601
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	AIP 3-38-0058-033-2011	20.106	300,625
Airport Improvement Program	AIP 3-38-0058-034-2011	20.106	220,102
Airport Improvement Program	AIP 3-38-0058-035-2011	20.106	743,999
Total Airport Improvement Program			1,264,726
Passed through North Dakota Department of Transportation			
Highway Planning and Construction	SU 7993 (041) 048	20.205	290,608
Highway Planning and Construction	SPRP030009	20.205	750
Highway Planning and Construction	SU 7993 (039) 046	20.205	17,563
Highway Planning and Construction	SU 7993 (37) 045	20.205	50,191
Total Highway Planning and Construction			359,112
State and Community Highway Safety	PHSP4021205-04-30	20.600	2,134
State and Community Highway Safety	PHSP4021107-02-12	20.600	3,000
Alcohol Highway Safety	PHSP4101203-01-30	20.601	2,158
Cluster total			7,292
Total U.S. Department of Transportation			1,631,130
<u>U.S. Department of Homeland Security</u>			
Assistance to Firefighters Grant	EMW 2010 FO 07622	97.044	194,845
Chemical Response	A0647-002-2009 HERR	97.067	3,476
Total U.S. Department of Homeland Security			198,321
Total expenditures of federal awards			\$ 2,049,616

Notes to Schedule of Expenditures of Federal Awards

Basis of presentation

The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the year ended December 31, 2012 as determined based on the modified accrual basis of accounting.

A. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued	Qualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency	Yes
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over federal programs:	
Material weakness identified	No
Significant deficiency	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA number</u>
Airport Improvement Program	20.106
Highway Planning and Construction	20.205
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee	No

B. Findings - Financial Statement Audit

2012-001 Recording of Transactions

Condition – We identified misstatements in the City’s financial statements causing us to propose material audit adjustments, including a restatement to the financial statements. The City also has not recorded capital assets and related depreciation for infrastructure contributed to the City from developers.

Criteria - A good system of internal accounting control includes the proper recording of all transactions in accordance with generally accepted accounting principles, proper reconcilments of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Cause – There were transactions identified that were not recorded in accordance with generally accepted accounting principles.

Effect - Inadequate internal controls over recording of transactions affect the City’s ability to detect misstatements in amounts that could be material in relation to the financial statements. The failure to record contributed capital from developers also resulted in a qualified opinion on the governmental activities, business-type activities, water fund and sewer fund.

Recommendation – We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted. We also recommend the City review the recording of transactions and generally accepted accounting principles applicable to the transactions to ensure transactions are recorded correctly.

Response - Management will make a greater effort to reconcile and record these transactions. Internal control reviews are taking place in an effort to establish a better process.

2012-002 Preparation of Financial Statements

Condition – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Criteria – A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements.

Cause – The City has staff trained in GASB reporting standards, but based on the work demands of the staff, the City has not been able to reassign work duties to make it possible for the City to prepare the financial statements being audited.

Effect – Inadequate control over financial reporting of the City could result in the more than a remote likelihood that the City would not be able to draft the financial statements and accompanying notes to the financial statements without material errors.

Recommendation – This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management will continue to review possible staff involvement in this process, although unlikely. The City does have qualified staff that could accomplish this if we can find a way to reassign personnel. New software has been implemented and may aid in financial statement preparation.

2012-003 Staff Size in Relation to Work Demands

Condition – The Accounting Department for the City of Williston is understaffed based on the significant increases in activity and transactions that the City is handling on a daily basis.

Criteria – The City should ensure there is adequate accounting staff to be able to perform the daily accounting functions based on the increases in activity and transactions in the City. The City should also ensure there is adequate accounting staff to perform reconciliation, analysis, and financial reporting functions on a regular basis in addition to the daily accounting transactions that are being handled. Reconciliation of financial data, financial reporting activities and analysis of the data should occur on a regular basis for all accounting areas.

Cause – Although the City has several employees in the accounting department who handle the daily accounting activity and transactions, the primary reconciliation and accounting functions that must be completed for the financial reporting process are completed by one to two individuals who also have a significant number of other work demands that they handle. The City does not have an adequate number of accounting staff with the necessary accounting and technical training to alleviate the work demand of the primary individuals responsible for the financial reporting process.

Effect – The lack of sufficient staff results in delays and errors in reconciling financial data, performing financial reporting activities and providing reliable financial data. This also results in a high likelihood that material misstatements of the City's financial statements will not be prevented, or detected and corrected on a timely basis, which was evident by the material errors identified as a result of audit procedures which are discussed in finding 2012-001.

Recommendation – We recommend the City consider options to ensure the accounting department is adequately staffed to handle the significant increases in activity including hiring additional employees with accounting experience, re-allocating duties of existing staff to ensure all staff have a manageable workload or contracting with an outside entity to assist with the financial reporting process.

Response – The City has experienced significant growth over the last few years due to the oil activity in the area. This has resulted in increased workloads for the staff on hand and challenges in hiring additional accounting staff due to budget constraints and competition with other businesses in Williston that are also experiencing extreme growth. The City has transitioned duties in the accounting department, has been hiring additional employees and will continue to evaluate the duties being performed and the need for additional staff.

2012-004 Bank Reconciliations

Condition – The City had a significant number of adjustments and reconciling items on its bank reconciliation that were either not appropriately accounted for as part of the cash balance reflected in the City’s records or that were unknown reconciling items that the City had not researched to determine the appropriate accounting for the items.

Criteria – A good system of internal control includes proper reconciliation of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Cause – The City identified the differences between the cash balances reported by the financial institutions compared to the balances recorded in the City’s records, but did not make the necessary adjustments or research all of these items to properly reflect the balances reported in the City’s records. For example, certain transactions cleared the City’s bank statement as a direct deposit payment received, and the City identified these transactions on its bank reconciliation. However, the City did not record the related cash and revenue in the City’s records, but rather included this difference as a reconciling item on the bank reconciliation.

Effect – Lack of adequate internal controls in the bank reconciliation process could result in cash balances being misstated.

Recommendation – We recommend the City implement internal controls to ensure all reconciling items are properly accounted for.

Response – The City will take and implement added steps to ensure compliance including tracing back all unknown items.

2012-005 – Supporting Documentation

Condition – We identified instances where the City made payments to vendors without obtaining adequate supporting documentation to verify that the payments made were for proper amounts. Specifically, we noted payments made to developers for the City’s agreed upon share of certain costs of the developments that were not supported by adequate documentation to verify the costs incurred by the developers.

Criteria – The City should obtain adequate supporting documentation for all expenditures incurred to ensure amounts being paid are proper. This includes obtaining pay estimates or specific invoices related to costs incurred by developers when reimbursing the developers for a portion of those costs.

Cause – The City does not have internal controls implemented to ensure all payments made by the City are adequately supported.

Effect – This could result in the City making payments for more than the actual amounts that the City is responsible for.

Recommendation – We recommend the City ensure adequate supporting documentation is obtained for all payments made by the City. This includes obtaining pay estimates or specific invoices related to costs incurred by developers when reimbursing the developers for a portion of those costs.

Response – The City will require all supporting documents for disbursements in the future.

2012-006 Travel Reimbursements

Condition – Travel reimbursements incurred by employees are not consistently approved by someone in a supervisory position over the employees.

Criteria – A good system of internal control includes proper authorization of transactions and pre-determined levels of authority to authorize transactions.

Cause – The City has not developed and documented specific internal controls related to the levels of authority required to approve travel expenditures for employees and department heads.

Effect – This provides opportunity for fraudulent transactions to occur.

Recommendation – We recommend the City adopt and document the required levels of authority to approve travel expenditures in which the expenditures incurred by an employee are approved by someone in a supervisory position over the employee. Specifically, travel expenditures incurred by Department Heads should be approved by the City Auditor and travel expenditures incurred by the City Auditor should be approved by a member of the Board of City Commissioners.

Response – The City is reviewing the policy and will consider having the portfolio commissioner review the City Auditor's travel expenditures and is looking at the best solution for approving other Department Head's travel expenditures.

C. Findings – Federal Audit

2012-007 Reporting, Airport Improvement Program, CFDA # 20.106, 2012 Award Year

Condition – The City did not submit an annual SF-425 financial report for the Airport Improvement Program grant covering the period from January 1, 2012 through December 31, 2012.

Criteria – The City is required to submit annual reports that are due within ninety days after the end of the fiscal year for the airport improvement program.

Cause – The City changed its reimbursement method from the Federal Aviation Administration from manual reimbursement to electronic funds transfer as of January 1, 2012. When this change occurred, it triggered the annual filing requirement of the SF-425 financial report. The City was unaware of this reporting requirement change.

Effect – This could result in the required information not being reported to the funding agency and could result in non-compliance related to the reporting requirements.

Recommendation – We recommend the City monitor that all required reporting requirements are met.

Corrective Action Plan – The City of Williston will utilize staff from the airport including Lori Larsen in making sure the SF 425 is completed on time in the future. The City Auditor John Kautzman and Airport Manager Steven Kjergaard will also be involved in tracking this report and its filing.

Contact Person Responsible for Corrective Action – John Kautzman, City Auditor

Anticipated Completion Date – The City plans to correct this during the 2013 reporting period.

11-7 Cash Management, Airport Improvement Program, CFDA # 20.106, 2011 Award Year

Condition – The City did not follow procedures to minimize the time elapsing between the receipt of federal funds and the disbursement of the funds by the City.

Status: As of December 31, 2012, this issue has been resolved.