



Financial Statements  
December 31, 2014  
**City of Williston**

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**President of the Board of City Commissioners**

Howard Klug

**Vice-President of the Board of City Commissioners**

Brad D. Bekkedahl

**City Commissioners**

Tate Cymbaluk

Deanette Piesik

Chris Brostuen

**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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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### **Basis for Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Aggregate Remaining Funds**

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, sewer fund, and aggregate remaining funds has not been determined.

### **Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Aggregate Remaining Funds**

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, Sewer Fund, and Aggregate Remaining Funds” 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, Sewer Fund, and Aggregate Remaining Funds of the City of Williston, North Dakota, as of December 31, 2014, 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, for the City of Williston, North Dakota, as of December 31, 2014, 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.

### **Correction of an Error**

As discussed in Note 21 to the financial statements, certain errors resulting in the understatement and overstatement of fund balance and net position as of December 31, 2013, were discovered during the current year. Accordingly, adjustments have been made to fund balance and net position as of January 1, 2014, to correct the errors. Our opinion is not modified with respect to these matters.

### **Other Matters**

Management has omitted the management’s discussion and analysis that 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 November 3, 2015 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.

A handwritten signature in cursive script that reads "Eric Sully LLP".

Bismarck, North Dakota  
November 3, 2015

City of Williston  
Statement of Net Position  
December 31, 2014

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 27,439,490	\$ 19,859,604	\$ 47,299,094
Accounts receivable, net	1,772,597	4,210,724	5,983,321
Investments in partnerships	1,725,000	-	1,725,000
Intergovernmental receivable, net	8,141,251	-	8,141,251
Taxes receivable	34,715	-	34,715
Taxes due from county treasurer	12,719	-	12,719
Special assessments receivable	25,595,500	-	25,595,500
Internal balances	1,000,000	(1,000,000)	-
Inventory	-	412,423	412,423
Restricted cash and cash equivalents	43,471,656	2,792,846	46,264,502
Capital assets not being depreciated			
Land	8,923,089	457,470	9,380,559
Construction in progress	41,802,293	66,509,727	108,312,020
Capital assets (net of accumulated depreciation)			
Buildings	10,439,571	32,993,889	43,433,460
Improvements other than buildings	971,962	47,518,537	48,490,499
Equipment	5,041,129	4,854,281	9,895,410
Infrastructure	52,369,732	-	52,369,732
Total capital assets	<u>119,547,776</u>	<u>152,333,904</u>	<u>271,881,680</u>
<b>Total assets</b>	<u><u>\$ 228,740,704</u></u>	<u><u>\$ 178,609,501</u></u>	<u><u>\$ 407,350,205</u></u>
<b>Liabilities</b>			
Accounts payable	\$ 15,849,923	\$ 989,605	\$ 16,839,528
Escrow payable	1,330,222	-	1,330,222
Retainage payable	4,455,751	30,394	4,486,145
Salaries and benefits payable	326,291	116,972	443,263
Deposits payable	-	45,821	45,821
Grant payable	66,202	-	66,202
Accrued interest payable	177,615	177,615	355,230
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	175,000	-	175,000
Revenue bonds payable	6,512,924	1,762,076	8,275,000
Certificates of indebtedness	6,430,006	8,619,994	15,050,000
Special assessment bonds payable	1,640,000	-	1,640,000
Compensated absences payable	459,848	115,974	575,822
Portion due after one year			
General obligation bonds payable	645,000	-	645,000
Revenue bonds payable	43,195,430	34,270,185	77,465,615
Special assessment bonds payable	28,410,000	-	28,410,000
Bond premiums	1,293,353	36,525	1,329,878
Bond discounts	(416,962)	(38,266)	(455,228)
Landfill closure costs	-	473,563	473,563
Compensated absences payable	459,847	115,975	575,822
<b>Total liabilities</b>	<u><u>\$ 111,010,450</u></u>	<u><u>\$ 46,716,433</u></u>	<u><u>\$ 157,726,883</u></u>

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

City of Williston  
Statement of Net Position  
December 31, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	\$ 69,433,119	\$ 116,339,909	\$ 185,773,028
Restricted for			
Urban and economic development	20,817,923	-	20,817,923
General government	158,906	-	158,906
Public works	1,136,828	-	1,136,828
Public safety	13,144	-	13,144
Health and welfare	423,623	-	423,623
Debt service	28,750,999	2,792,846	31,543,845
Unrestricted	<u>(3,004,288)</u>	<u>12,760,313</u>	<u>9,756,025</u>
Total net position	<u>\$ 117,730,254</u>	<u>\$ 131,893,068</u>	<u>\$ 249,623,322</u>



City of Williston  
Statement of Activities  
Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 12,816,427	\$ 4,802,263	\$ 53,655	\$ -	\$ (7,960,509)	\$ -	\$ (7,960,509)
Public safety	8,425,187	2,911,275	-	-	(5,513,912)	-	(5,513,912)
Public works	5,592,641	251,693	1,110,242	6,444,879	2,214,173	-	2,214,173
Health and welfare	566,983	552,359	-	-	(14,624)	-	(14,624)
Culture and recreation	18,469,296	27,164	106,117	-	(18,336,015)	-	(18,336,015)
Economic development	2,117,919	138,126	25,043	-	(1,954,750)	-	(1,954,750)
Miscellaneous	269,263	-	-	-	(269,263)	-	(269,263)
Interest and issuance costs	3,111,417	-	-	-	(3,111,417)	-	(3,111,417)
Total governmental activities	<u>51,369,133</u>	<u>8,682,880</u>	<u>1,295,057</u>	<u>6,444,879</u>	<u>(34,946,317)</u>	<u>-</u>	<u>(34,946,317)</u>
Business-type activities							
Water	9,530,036	11,887,687	-	-	-	2,357,651	2,357,651
Sewer	1,907,581	1,190,945	-	-	-	(716,636)	(716,636)
Landfill	1,558,190	4,168,040	-	-	-	2,609,850	2,609,850
Refuse	2,191,725	2,353,094	-	-	-	161,369	161,369
Total business-type activities	<u>15,187,532</u>	<u>19,599,766</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,412,234</u>	<u>4,412,234</u>
Total primary government	<u>\$ 66,556,665</u>	<u>\$ 28,282,646</u>	<u>\$ 1,295,057</u>	<u>\$ 6,444,879</u>	<u>(34,946,317)</u>	<u>4,412,234</u>	<u>(30,534,083)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					51,360,128	-	51,360,128
Property taxes, levied for special purposes					9,498,903	-	9,498,903
City sales tax					28,612,067	-	28,612,067
Cable franchise tax					289,125	-	289,125
Grants and contributions not restricted					2,750,122	-	2,750,122
Interest					265,834	136	265,970
Oil and gas royalties					304,211	-	304,211
Refunds and reimbursements					1,004,292	-	1,004,292
Miscellaneous revenue					515,910	-	515,910
Total general revenues					<u>94,600,592</u>	<u>136</u>	<u>94,600,728</u>
Loss on disposal of assets					(10,461)	-	(10,461)
Transfers					<u>(28,972,977)</u>	<u>28,972,977</u>	<u>-</u>
Change in net position					<u>30,670,837</u>	<u>33,385,347</u>	<u>64,056,184</u>
Net position - January 1, as previously reported					<u>87,234,207</u>	<u>97,551,518</u>	<u>184,785,725</u>
Restatement (Note 21)					<u>(174,790)</u>	<u>956,203</u>	<u>781,413</u>
Net position - January 1, as restated					<u>87,059,417</u>	<u>98,507,721</u>	<u>185,567,138</u>
Net position - December 31					<u>\$ 117,730,254</u>	<u>\$ 131,893,068</u>	<u>\$ 249,623,322</u>

City of Williston  
Balance Sheet – Governmental Funds  
December 31, 2014

	General Fund	Sales Tax	Capital Projects Fund	2013A Certificate of Indebtedness	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 5,534,295	\$ 6,897,851	\$ -	\$ -	\$ 15,007,344	\$ 27,439,490
Accounts receivable, net	792,966	-	174,225	-	805,406	1,772,597
Investments in partnerships	-	-	-	-	1,725,000	1,725,000
Intergovernmental receivable, net	3,017,239	3,374,813	1,121,784	-	627,415	8,141,251
Taxes receivable	19,930	-	-	-	14,785	34,715
Taxes due from county treasurer	2,257	-	-	-	10,462	12,719
Special assessments receivable	85	-	323	-	16,423	16,831
Due from other funds	1,000,000	727,412	-	-	-	1,727,412
Interfund loans receivable	-	-	-	-	266,768	266,768
Restricted cash and investments	-	5,551,562	37,770,094	-	150,000	43,471,656
<b>Total assets</b>	<b>\$ 10,366,772</b>	<b>\$ 16,551,638</b>	<b>\$ 39,066,426</b>	<b>\$ -</b>	<b>\$ 18,623,603</b>	<b>\$ 84,608,439</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ 892,043	\$ 1,500	\$ 14,708,578	\$ -	\$ 247,802	\$ 15,849,923
Escrow payable	1,330,222	-	-	-	-	1,330,222
Retainage payable	-	-	4,455,751	-	-	4,455,751
Salaries and benefits payable	223,479	-	-	-	102,812	326,291
Due to other funds	-	-	-	2,483	724,929	727,412
Interfund loans payable	266,768	-	-	-	-	266,768
Grant payable	-	-	-	-	66,202	66,202
<b>Total liabilities</b>	<b>2,712,512</b>	<b>1,500</b>	<b>19,164,329</b>	<b>2,483</b>	<b>1,141,745</b>	<b>23,022,569</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue - property taxes	19,930	-	-	-	14,785	34,715
Unavailable revenue - special assessment taxes	85	-	323	-	16,423	16,831
Unavailable revenue - grants earned but not available	52,331	-	227,910	-	14	280,255
<b>Total deferred inflows of resources</b>	<b>72,346</b>	<b>-</b>	<b>228,233</b>	<b>-</b>	<b>31,222</b>	<b>331,801</b>
<b>Fund Balances</b>						
Nonspendable	-	-	-	-	1,991,768	1,991,768
Restricted	-	16,550,138	19,673,864	-	9,155,785	45,379,787
Committed	-	-	-	-	502,891	502,891
Assigned	399,469	-	-	-	6,553,895	6,953,364
Unassigned	7,182,445	-	-	(2,483)	(753,703)	6,426,259
<b>Total fund balances</b>	<b>7,581,914</b>	<b>16,550,138</b>	<b>19,673,864</b>	<b>(2,483)</b>	<b>17,450,636</b>	<b>61,254,069</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 10,366,772</b>	<b>\$ 16,551,638</b>	<b>\$ 39,066,426</b>	<b>\$ -</b>	<b>\$ 18,623,603</b>	<b>\$ 84,608,439</b>

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

City of Williston

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position  
Year Ended December 31, 2014

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Total fund balances for governmental funds		\$ 61,254,069
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	\$ 151,482,580	
Less accumulated depreciation	(31,934,804)	
Net capital assets		119,547,776
Certain receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures.		
Property taxes	\$ 34,715	
Special assessments	25,595,500	
Grants	280,255	
		25,910,470
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, 2014 are:		
General obligation bonds payable	\$ (820,000)	
Revenue bonds payable	(49,708,354)	
Certificate of indebtedness	(6,430,006)	
Special assessment bonds payable	(30,050,000)	
Bond premiums	(1,293,353)	
Bond discounts	416,962	
Interest payable	(177,615)	
Compensated absences	(919,695)	
Total long-term liabilities		(88,982,061)
Total net position of governmental activities		\$ 117,730,254

City of Williston

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds

Year Ended December 31, 2014

	General Fund	Sales Tax	Capital Projects Fund	2013A Certificate of Indebtedness	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 37,907,353	\$ 28,612,067	\$ -	\$ -	\$ 7,414,952	\$ 73,934,372
Special assessments	14	-	11,967	-	2,063,888	2,075,869
Licenses, permits and fees	2,005,269	-	-	-	-	2,005,269
Intergovernmental	2,507,509	-	3,324,416	-	1,295,057	7,126,982
Intragovernmental	1,350,685	-	-	-	-	1,350,685
Charges for services	176,541	-	-	-	5,709,204	5,885,745
Fines, forfeitures and penalties	1,555,672	-	-	-	10,286	1,565,958
Interest	6,020	2,705	10,546	-	246,563	265,834
Oil and gas royalties	-	-	-	-	304,211	304,211
Refunds and reimbursements	470,060	-	-	-	534,232	1,004,292
Miscellaneous	290,610	-	34,080	-	191,220	515,910
Total revenues	<u>46,269,733</u>	<u>28,614,772</u>	<u>3,381,009</u>	<u>-</u>	<u>17,769,613</u>	<u>96,035,127</u>
<b>Expenditures</b>						
<b>Current</b>						
General government	6,824,471	-	2,029,963	-	3,720,620	12,575,054
Public safety	4,858,943	-	-	-	3,023,732	7,882,675
Public works	5,376,290	-	-	-	86,886	5,463,176
Health and welfare	-	-	-	-	566,983	566,983
Culture and recreation	-	17,874,496	-	-	520,438	18,394,934
Economic development	513,108	-	-	-	1,604,139	2,117,247
Miscellaneous	5,282	-	20,120	-	243,861	269,263
Capital outlay	4,185,486	-	71,943,774	-	1,992,692	78,121,952
Debt service	-	-	-	30,540,000	13,895,000	44,435,000
Principal	-	-	-	-	-	-
Interest and issuance costs	900	1,500	29,364	912,640	2,446,382	3,390,786
Total expenditures	<u>21,764,480</u>	<u>17,875,996</u>	<u>74,023,221</u>	<u>31,452,640</u>	<u>28,100,733</u>	<u>173,217,070</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,505,253</u>	<u>10,738,776</u>	<u>(70,642,212)</u>	<u>(31,452,640)</u>	<u>(10,331,120)</u>	<u>(77,181,943)</u>
<b>Other Financing Sources (Uses)</b>						
Sale of assets	-	-	-	-	69,530	69,530
Bonds issued	6,744,747	2,933,796	9,885,651	806	-	19,565,000
Bond premiums (discounts)	107,704	117,838	(470,696)	-	-	(245,154)
Transfers in	5,235,462	-	26,510,815	31,449,351	16,016,166	79,211,794
Transfers out	(40,231,511)	(12,028,290)	(1,531,989)	-	(6,841,617)	(60,633,407)
Total other financing sources and uses	<u>(28,143,598)</u>	<u>(8,976,656)</u>	<u>34,393,781</u>	<u>31,450,157</u>	<u>9,244,079</u>	<u>37,967,763</u>
Net change in fund balances	(3,638,345)	1,762,120	(36,248,431)	(2,483)	(1,087,041)	(39,214,180)
Fund balance - January 1, as previously reported	<u>11,395,049</u>	<u>14,788,018</u>	<u>55,922,295</u>	<u>-</u>	<u>18,537,677</u>	<u>100,643,039</u>
Restatement (Note 21)	<u>(174,790)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(174,790)</u>
Fund Balance - January 1, as restated	<u>11,220,259</u>	<u>14,788,018</u>	<u>55,922,295</u>	<u>-</u>	<u>18,537,677</u>	<u>100,468,249</u>
Fund balance - December 31	<u>\$ 7,581,914</u>	<u>\$ 16,550,138</u>	<u>\$ 19,673,864</u>	<u>\$ (2,483)</u>	<u>\$ 17,450,636</u>	<u>\$ 61,254,069</u>

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, 2014

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Net change in fund balances- total governmental funds \$ (39,214,180)

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 (net of capital contributions to business-type activities)	\$ 29,198,942	
Current year depreciation expense	(3,007,921)	26,191,021

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.

3,363,076

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.

(79,991)

Elimination of interfund activity

Interfund receipts	\$ (2,124,778)	
Interfund disbursements	2,124,778	-

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	\$ (87,957)	
Net increase in interest payable	(17,284)	(105,241)

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to  
the Government-Wide Statement of Activities  
Year Ended December 31, 2014

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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 premiums and discounts 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	\$ (19,565,000)	
Bond discounts	245,154	
Transfer of debt	1,371,646	
Repayment of debt	<u>44,435,000</u>	26,486,800

The amortization of bond discounts and premiums is reported in the statement of activities but is not reported in the governmental funds.

279,369

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, special assessments, and grants.

13,749,983

Change in Net Position of Governmental Activities

\$ 30,670,837

City of Williston

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund  
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
<b>Revenues</b>				
Taxes	\$ 5,356,468	\$ 5,356,468	\$ 37,370,088	\$ 32,013,620
Special assessments	15,000	15,000	14	(14,986)
Licenses, permits and fees	1,157,550	1,157,550	2,005,269	847,719
Intergovernmental	1,731,500	1,731,500	2,507,509	776,009
Intragovernmental	1,123,000	1,123,000	1,350,685	227,685
Charges for services	80,000	80,000	100,941	20,941
Fines, forfeitures and penalties	563,950	563,950	1,512,834	948,884
Interest	10,000	10,000	5,933	(4,067)
Refunds and reimbursements	200,000	200,000	470,060	270,060
Miscellaneous	193,660	193,660	290,610	96,950
Total revenues	<u>10,431,128</u>	<u>10,431,128</u>	<u>45,613,943</u>	<u>35,182,815</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	3,263,305	3,263,305	5,799,049	(2,535,744)
Public safety	5,143,245	5,143,245	4,858,943	284,302
Public works	5,448,651	5,448,651	4,709,821	738,830
Economic development	563,863	563,863	513,108	50,755
Capital outlay	2,688,305	2,688,305	2,438,363	249,942
Interest and fiscal charges	-	-	900	(900)
Total expenditures	<u>17,107,369</u>	<u>17,107,369</u>	<u>18,320,184</u>	<u>(1,212,815)</u>
Excess (Deficiency) of revenues over expenditures	<u>(6,676,241)</u>	<u>(6,676,241)</u>	<u>27,293,759</u>	<u>33,970,000</u>
<b>Other Financing Sources (Uses)</b>				
Bond issued	-	-	4,980,101	4,980,101
Bond premiums	-	-	107,704	107,704
Transfers in	3,021,378	3,021,378	4,005,525	984,147
Transfers out	-	-	(40,231,511)	(40,231,511)
Total other financing sources (uses)	<u>3,021,378</u>	<u>3,021,378</u>	<u>(31,138,181)</u>	<u>(34,159,559)</u>
Net change in fund balances	(3,654,863)	(3,654,863)	(3,844,422)	(189,559)
Fund balance - January 1	<u>11,028,113</u>	<u>11,028,113</u>	<u>11,028,113</u>	<u>-</u>
Fund balance - December 31	<u>\$ 7,373,250</u>	<u>\$ 7,373,250</u>	<u>\$ 7,183,691</u>	<u>\$ (189,559)</u>
<b>Differences between budgetary and GAAP fund balance</b>				
General fund			\$ 7,183,691	
Planning study			(10,548)	
Pension			(8,344)	
Parking Authority			352,977	
City Building			64,138	
GAAP fund balance (combined with General Fund for GAAP presentation)			<u>\$ 7,581,914</u>	

City of Williston

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Sales Tax Fund  
Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 28,000,000	\$ 28,000,000	\$ 28,612,067	\$ 612,067
Interest	-	-	2,705	2,705
Total revenues	<u>28,000,000</u>	<u>28,000,000</u>	<u>28,614,772</u>	<u>614,772</u>
<b>Expenditures</b>				
<b>Current:</b>				
Culture and recreation	14,000,000	14,000,000	17,874,496	(3,874,496)
Interest and fiscal charges	-	-	1,500	(1,500)
Total expenditures	<u>14,000,000</u>	<u>14,000,000</u>	<u>17,875,996</u>	<u>(3,875,996)</u>
Excess of revenues over expenditures	<u>14,000,000</u>	<u>14,000,000</u>	<u>10,738,776</u>	<u>(3,261,224)</u>
<b>Other Financing Uses</b>				
Bond issued	-	-	2,933,796	2,933,796
Bond premiums	-	-	117,838	117,838
Transfers out	(14,115,000)	(14,115,000)	(12,028,290)	2,086,710
Total other financing uses	<u>(14,115,000)</u>	<u>(14,115,000)</u>	<u>(8,976,656)</u>	<u>5,138,344</u>
Net change in fund balances	<u>(115,000)</u>	<u>(115,000)</u>	<u>1,762,120</u>	<u>1,877,120</u>
Fund balance - January 1	<u>14,788,018</u>	<u>14,788,018</u>	<u>14,788,018</u>	<u>-</u>
Fund balance - December 31	<u>\$ 14,673,018</u>	<u>\$ 14,673,018</u>	<u>\$ 16,550,138</u>	<u>\$ 1,877,120</u>



City of Williston  
Statement of Net Position – Proprietary Funds  
December 31, 2014

	Business-Type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Non Major Enterprise Funds	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 3,368	\$ 12,881,780	\$ 6,974,456	\$ 19,859,604
Accounts receivable, net	2,859,843	122,188	1,228,693	4,210,724
Inventory	399,243	13,180	-	412,423
Total current assets	<u>3,262,454</u>	<u>13,017,148</u>	<u>8,203,149</u>	<u>24,482,751</u>
<b>Noncurrent assets</b>				
Restricted cash and cash equivalents	1,954,875	235,908	602,063	2,792,846
<b>Capital assets not being depreciated</b>				
Land	377,956	-	79,514	457,470
Construction in progress	16,098,239	49,329,069	1,082,419	66,509,727
<b>Capital assets (net of accumulated depreciation)</b>				
Buildings	23,656,892	9,047,157	289,840	32,993,889
Improvements other than buildings	23,781,171	22,353,707	1,383,659	47,518,537
Equipment	472,523	685,560	3,696,198	4,854,281
Total noncurrent assets	<u>66,341,656</u>	<u>81,651,401</u>	<u>7,133,693</u>	<u>155,126,750</u>
Total assets	<u>\$ 69,604,110</u>	<u>\$ 94,668,549</u>	<u>\$ 15,336,842</u>	<u>\$ 179,609,501</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 189,265	\$ 342,829	\$ 457,511	\$ 989,605
Retainage payable	-	-	30,394	30,394
Salaries and benefits payable	62,205	13,996	40,771	116,972
Deposits payable	41,136	180	4,505	45,821
Due to other fund	1,000,000	-	-	1,000,000
Accrued interest payable	133,663	42,730	1,222	177,615
Revenue bonds payable	1,480,000	172,076	110,000	1,762,076
Certificates of indebtedness	-	8,619,994	-	8,619,994
Compensated absences	60,938	15,312	39,724	115,974
Total current liabilities	<u>2,967,207</u>	<u>9,207,117</u>	<u>684,127</u>	<u>12,858,451</u>
<b>Noncurrent liabilities</b>				
Revenue bonds payable	14,907,500	18,915,185	447,500	34,270,185
Bond premiums	-	36,525	-	36,525
Bond discounts	(27,709)	(978)	(9,579)	(38,266)
Accrued closure and postclosure liability	-	-	473,563	473,563
Compensated absences	60,938	15,312	39,725	115,975
Total noncurrent liabilities	<u>14,940,729</u>	<u>18,966,044</u>	<u>951,209</u>	<u>34,857,982</u>
Total liabilities	<u>\$ 17,907,936</u>	<u>\$ 28,173,161</u>	<u>\$ 1,635,336</u>	<u>\$ 47,716,433</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, 2014

	Business-Type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Non Major Enterprise Funds	
Net Position				
Net investment in capital assets	\$ 48,026,990	\$ 53,672,691	\$ 5,983,709	\$ 116,339,909
Restricted	1,954,875	235,908	128,500	2,792,846
Unrestricted	1,714,309	12,586,789	7,589,297	12,760,313
Total net position	<u>\$ 51,696,174</u>	<u>\$ 66,495,388</u>	<u>\$ 13,701,506</u>	<u>\$ 131,893,068</u>

City of Williston  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Non Major Enterprise Funds	
Operating Revenues				
Charges for service	\$ 11,412,505	\$ 1,127,281	\$ 6,421,917	\$ 18,961,703
Miscellaneous	475,182	63,664	99,217	638,063
Total operating revenues	<u>11,887,687</u>	<u>1,190,945</u>	<u>6,521,134</u>	<u>19,599,766</u>
Operating Expenses				
Salaries and benefits	1,534,781	532,392	1,422,228	3,489,401
Materials and supplies	5,764,676	633,394	1,061,722	7,459,792
Contractual services	399,639	60,063	269,562	729,264
Depreciation	1,273,021	609,759	970,026	2,852,806
Miscellaneous	29,599	829	4,111	34,539
Total operating expenses	<u>9,001,716</u>	<u>1,836,437</u>	<u>3,727,649</u>	<u>14,565,802</u>
Operating income (loss)	<u>2,885,971</u>	<u>(645,492)</u>	<u>2,793,485</u>	<u>5,033,964</u>
Nonoperating Revenues (Expenses)				
Interest income	-	-	136	136
Interest and service charges	(528,320)	(71,144)	(22,266)	(621,730)
Total nonoperating revenues (expenses)	<u>(528,320)</u>	<u>(71,144)</u>	<u>(22,130)</u>	<u>(621,594)</u>
Income before contributions and transfers	<u>2,357,651</u>	<u>(716,636)</u>	<u>2,771,355</u>	<u>4,412,370</u>
Contributions and Transfers				
Capital contributions	11,729,363	37,047,454	146,193	48,923,010
Transfers in	228,044	300,000	1,372,480	1,900,524
Transfers out	(3,878,596)	(16,463,496)	(1,508,465)	(21,850,557)
Total contributions and transfers	<u>8,078,811</u>	<u>20,883,958</u>	<u>10,208</u>	<u>28,972,977</u>
Change in net position	<u>10,436,462</u>	<u>20,167,322</u>	<u>2,781,563</u>	<u>33,385,347</u>
Net position - January 1, as previously reported	<u>40,303,509</u>	<u>46,328,066</u>	<u>10,919,943</u>	<u>97,551,518</u>
Restatement (Note 21)	<u>956,203</u>	<u>-</u>	<u>-</u>	<u>956,203</u>
Net position - January 1, as restated	<u>41,259,712</u>	<u>46,328,066</u>	<u>10,919,943</u>	<u>98,507,721</u>
Net position - December 31	<u>\$ 51,696,174</u>	<u>\$ 66,495,388</u>	<u>\$ 13,701,506</u>	<u>\$ 131,893,068</u>

City of Williston  
Statement of Cash Flows – Proprietary Funds  
Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Non Major Enterprise Funds	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 10,378,086	\$ 1,621,179	\$ 6,027,152	\$ 18,026,417
Payments to suppliers	(6,564,487)	(2,078,695)	(924,991)	(9,568,173)
Payments to employees	(1,462,801)	(519,743)	(1,415,517)	(3,398,061)
Other operating revenue	475,182	63,664	99,217	638,063
Net Cash Provided by (Used by) Operating Activities	<u>2,825,980</u>	<u>(913,595)</u>	<u>3,785,861</u>	<u>5,698,246</u>
Cash Flows from Noncapital Financing Activities				
Transfers in	228,044	300,000	1,372,480	1,900,524
Transfers out	(3,878,596)	(16,463,496)	(1,508,465)	(21,850,557)
Due to/from other funds	1,000,000	-	(333,268)	666,732
Net Cash Provided by (Used by) Noncapital Financing Activities	<u>(2,650,552)</u>	<u>(16,163,496)</u>	<u>(469,253)</u>	<u>(19,283,301)</u>
Cash Flows from Capital and Related Financing Activities				
Purchases and construction of capital assets	(148,181)	(1,473,547)	(2,981,884)	(4,603,612)
Proceeds from capital debt	-	16,660,615	-	16,660,615
Debt transfer from governmental funds	-	1,371,646	-	1,371,646
Principal paid on capital debt	(1,498,750)	(160,000)	(106,250)	(1,765,000)
Interest paid on capital debt	(538,921)	(37,552)	(24,543)	(601,016)
Net Cash Provided by (Used by) Capital and Related Financing Activities	<u>(2,185,852)</u>	<u>16,361,162</u>	<u>(3,112,677)</u>	<u>11,062,633</u>
Cash Flows from Investing Activities				
Interest Income	-	-	136	136
Net change in cash and cash equivalents	<u>(2,010,424)</u>	<u>(715,929)</u>	<u>204,067</u>	<u>(2,522,286)</u>
Cash and cash equivalents, January 1	<u>3,968,667</u>	<u>13,833,617</u>	<u>7,372,452</u>	<u>25,174,736</u>
Cash and cash equivalents, December 31	<u>\$ 1,958,243</u>	<u>\$ 13,117,688</u>	<u>\$ 7,576,519</u>	<u>\$ 22,652,450</u>

City of Williston  
Statement of Cash Flows – Proprietary Funds  
Year Ended December 31, 2014

	Business-Type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Non Major Enterprise Funds	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 2,885,971	\$ (645,492)	\$ 2,793,485	\$ 5,033,964
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	1,273,021	609,759	970,026	2,852,806
Change in assets and liabilities				
Accounts receivable	(1,034,419)	493,898	(394,765)	(935,286)
Inventory	(11,048)	(819)	-	(11,867)
Accounts payable	(360,076)	(1,383,750)	356,263	(1,387,563)
Deposits payable	551	160	4,453	5,164
Salaries and benefits payable	31,613	5,767	13,043	50,423
Compensated absences	40,367	6,882	(6,332)	40,917
Closure/post closure costs	-	-	49,688	49,688
Net cash provided by (used by) operating activities	<u>\$ 2,825,980</u>	<u>\$ (913,595)</u>	<u>\$ 3,785,861</u>	<u>\$ 5,698,246</u>
Noncash Investing, Capital, and Financing Activities				
Contribution of capital assets from capital project funds	<u>\$ 11,729,363</u>	<u>\$ 37,047,454</u>	<u>\$ 146,193</u>	<u>\$ 48,923,010</u>
Net book value of capital assets traded	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,055</u>	<u>\$ 149,055</u>

City of Williston  
Statement of Net Position – Fiduciary Funds  
December 31, 2014

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	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 5,730</u>
Total assets	<u><u>\$ 5,730</u></u>
Liabilities	
Due to other parties	<u><u>\$ 5,730</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. 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 economic development.

Capital Projects fund – This fund accounts for capital project activities of the city.

2013A Certificate of Indebtedness fund – This fund accounts for the payments that the City makes on this debt.

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.

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 is both restricted and unrestricted net position available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs, and then 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 are charges to customers for sales and services. Operating expenses for enterprise 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 10<sup>th</sup> of the preceding fiscal year, the city prepares a preliminary budget for the next succeeding year beginning January 1<sup>st</sup>. 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 1<sup>st</sup>, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10<sup>th</sup>.
- 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, 2014, 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
Equipment	5-30 years
Infrastructure	50 years

### **Deferred Inflows of Resources**

Deferred inflows of resources represent an acquisition of fund balance/net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and grants earned but not available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### **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 prorate 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 fire 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 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 recognized in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 following classifications describe the relative strength of the spending constraints placed on the City's fund balances:

- 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.

City of Williston  
Notes to Financial Statements  
December 31, 2014

As of December 31, 2014, the specific purposes of the fund balance classifications consisted of the following:

	General Fund	Sales Tax	Capital Projects Fund	2013A Certificate of Indebtedness	Other Governmental Funds	Total Governmental Funds
Fund Balances						
Nonspendable						
Interfund loan receivable	\$ -	\$ -	\$ -	\$ -	\$ 266,768	\$ 266,768
Urban and economic development	-	-	-	-	1,725,000	1,725,000
Total nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,991,768</u>	<u>1,991,768</u>
Restricted for						
Urban and economic development	-	16,550,138	-	-	4,267,785	20,817,923
General government	-	-	-	-	158,906	158,906
Public works	-	-	-	-	1,136,828	1,136,828
Public safety	-	-	-	-	13,144	13,144
Health and welfare	-	-	-	-	423,623	423,623
Capital projects	-	-	19,673,864	-	-	19,673,864
Debt service	-	-	-	-	3,155,499	3,155,499
Total restricted	<u>-</u>	<u>16,550,138</u>	<u>19,673,864</u>	<u>-</u>	<u>9,155,785</u>	<u>45,379,787</u>
Committed for						
General government	-	-	-	-	314,429	314,429
Public safety	-	-	-	-	188,462	188,462
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,891</u>	<u>502,891</u>
Assigned for						
General government	46,492	-	-	-	857,660	904,152
Public works	352,977	-	-	-	438,215	791,192
Cemetery	-	-	-	-	263,569	263,569
Library	-	-	-	-	125,231	125,231
Airport	-	-	-	-	951,579	951,579
Capital projects	-	-	-	-	1,011,641	1,011,641
Debt service	-	-	-	-	2,906,000	2,906,000
Total assigned	<u>399,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,553,895</u>	<u>6,953,364</u>
Unassigned	<u>7,182,445</u>	<u>-</u>	<u>-</u>	<u>(2,483)</u>	<u>(753,703)</u>	<u>6,426,259</u>
Total fund balances	<u>\$ 7,581,914</u>	<u>\$ 16,550,138</u>	<u>\$ 19,673,864</u>	<u>\$ (2,483)</u>	<u>\$ 17,450,636</u>	<u>\$ 61,254,069</u>

**Note 2 - Legal Compliance**

**Budget Amendments**

The city's governing board did not amend the city budgets for the year ended December 31, 2014.

**Excess of Actual Expenditures over Budget**

Expenditures exceeded budget in the following funds:

General fund	\$ (1,212,815)
Sales tax	(3,875,996)

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

**Fund Deficits**

The following funds were in a deficit position at December 31, 2014:

2013A Certificate of Indebtedness	\$ (2,483)
911 communications	(21,377)
Social security	(7,145)
Special assess - City property	(152)
Sidewalk	(32,463)
2004 Refunding	(7,128)
2006 Refunding	(35,532)
2013B Certificate of Indebtedness	(2,127)
Tax increment #4	(62,513)
Tax increment #11	(585,266)
	<u>                    </u>
	<u>\$ (756,186)</u>

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

### **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, 2014, the City's carrying amount of deposits was \$93,563,596 for the City funds and \$5,730 for agency funds. The deposits were adequately collateralized at December 31, 2014.

#### **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, 2014, 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 - sales tax fund	\$ 5,551,562
Unspent bond proceeds - capital projects fund	37,770,094
Restricted for debt service - airport fund	150,000
Restricted for debt service - water fund	1,954,875
Restricted for debt service - sewer fund	235,908
Restricted for debt service - landfill fund	128,500
Restricted for closure and post-closure costs - landfill fund	473,563
	\$ 46,264,502

**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 \$1,160,500 for governmental activities accounts receivable and \$28,000 for business-type activities accounts receivable recorded at December 31, 2014.

**Note 6 - Intergovernmental Receivable**

Intergovernmental receivables consist of reimbursements due from various governments for city sales tax, hospitality tax, grants and other aid. The carrying amount of the intergovernmental 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 \$240,307 for governmental activities intergovernmental receivable recorded at December 31, 2014.

**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, 2014 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 1<sup>st</sup>. The property taxes attach as an enforceable lien on property on January 1<sup>st</sup>. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1<sup>st</sup> and the second installment is due by October 15<sup>th</sup>. A 5% discount is allowed if all taxes and special assessments are paid by February 15<sup>th</sup>. 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 15<sup>th</sup> and receive the 5% discount on the property taxes.

**Note 8 - Taxes 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, 2014.

**Note 9 - Special Assessments Receivable**

Special assessments receivable consists of uncollected special assessments due the City at December 31<sup>st</sup> 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, 2014 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, 2014 consisted of the following:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund	\$ 1,000,000	\$ -
Sales tax fund	727,412	-
2013A Certificate of Indebtedness	-	2,483
Other governmental funds	-	724,929
Water fund	-	1,000,000
	<u>\$ 1,727,412</u>	<u>\$ 1,727,412</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, 2014 is \$252,840.

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, 2014 is \$13,928.

## Note 12 - Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance January 01, 2014	Additions	Transfers	Deletions	Balance December 31, 2014
Governmental activities					
Capital assets not being depreciated					
Land	\$ 6,917,691	\$ 2,005,398	\$ -	\$ -	\$ 8,923,089
Construction in progress	20,596,105	24,601,714	(3,395,526)	-	41,802,293
Total	<u>27,513,796</u>	<u>26,607,112</u>	<u>(3,395,526)</u>	<u>-</u>	<u>50,725,382</u>
Capital assets, being depreciated					
Buildings	13,768,441	1,786,069	62,500	-	15,617,010
Improvements other than buildings	1,522,918	-	-	-	1,522,918
Equipment	12,333,620	2,580,092	80,000	(446,726)	14,546,986
Infrastructure	64,228,513	1,588,745	3,253,026	-	69,070,284
Total	<u>91,853,492</u>	<u>5,954,906</u>	<u>3,395,526</u>	<u>(446,726)</u>	<u>100,757,198</u>
Less accumulated depreciation					
Buildings	4,886,862	290,577	-	-	5,177,439
Improvements other than buildings	514,070	36,886	-	-	550,956
Equipment	8,596,443	1,276,149	-	(366,735)	9,505,857
Infrastructure	15,296,243	1,404,309	-	-	16,700,552
Total	<u>29,293,618</u>	<u>3,007,921</u>	<u>-</u>	<u>(366,735)</u>	<u>31,934,804</u>
Total capital assets being depreciated, net	<u>62,559,874</u>	<u>2,946,985</u>	<u>3,395,526</u>	<u>(79,991)</u>	<u>68,822,394</u>
Governmental activities - capital assets, net	<u>\$ 90,073,670</u>	<u>\$ 29,554,097</u>	<u>\$ -</u>	<u>\$ (79,991)</u>	<u>\$ 119,547,776</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 459,670	\$ -	\$ -	\$ (2,200)	\$ 457,470
Construction in progress	39,914,448	48,283,432	(21,688,153)	-	66,509,727
Total	<u>40,374,118</u>	<u>48,283,432</u>	<u>(21,688,153)</u>	<u>(2,200)</u>	<u>66,967,197</u>
Capital assets, being depreciated					
Buildings	33,434,053	17,107	8,803,446	-	42,254,606
Improvements other than buildings	45,981,901	2,591,230	12,884,707	-	61,457,838
Equipment	8,941,056	2,515,817	-	(429,739)	11,027,134
Total	<u>88,357,010</u>	<u>5,124,154</u>	<u>21,688,153</u>	<u>(429,739)</u>	<u>114,739,578</u>
Less accumulated depreciation					
Buildings	8,577,535	683,182	-	-	9,260,717
Improvements other than buildings	12,810,774	1,128,527	-	-	13,939,301
Equipment	5,412,440	1,041,097	-	(280,684)	6,172,853
Total	<u>26,800,749</u>	<u>2,852,806</u>	<u>-</u>	<u>(280,684)</u>	<u>29,372,871</u>
Total capital assets being depreciated, net	<u>61,556,261</u>	<u>2,271,348</u>	<u>21,688,153</u>	<u>(149,055)</u>	<u>85,366,707</u>
Business-type activities - capital assets, net	<u>\$ 101,930,379</u>	<u>\$ 50,554,780</u>	<u>\$ -</u>	<u>\$ (151,255)</u>	<u>\$ 152,333,904</u>

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

Governmental activities		
General government	\$	136,132
Public safety		542,512
Public works		2,254,243
Culture and recreation		74,362
Economic development		672
Total depreciation expense for governmental activities		\$ 3,007,921
Business type activities		
Water	\$	1,273,021
Sewer		609,759
Landfill		439,488
Refuse		530,538
Total depreciation expense for business-type activities		\$ 2,852,806

As of December 31, 2014, the City had outstanding commitments of approximately \$81,700,000 related to construction projects.

### Note 13 - Long-Term Obligations

During the year ended December 31, 2014, the following changes occurred in long-term liabilities of the city:

#### Governmental Activities

	Balance January 1, 2014	Additions	Transfers	Reductions	Balance December 31, 2014	Due Within One Year
Compensated absences	\$ 831,738	\$ 511,317	\$ -	\$ 423,360	\$ 919,695	\$ 459,848
General obligation	985,000	-	-	165,000	820,000	175,000
Revenue bonds	57,945,000	-	(1,371,646)	6,865,000	49,708,354	6,512,924
Certificates of indebtedness	42,880,006	-	-	36,450,000	6,430,006	6,430,006
Special assessment	11,440,000	19,565,000	-	955,000	30,050,000	1,640,000
Total	\$ 114,081,744	\$ 20,076,317	\$ (1,371,646)	\$ 44,858,360	\$ 87,928,055	\$ 15,217,778

	Balance January 1, 2014	Additions	Transfers	Reductions	Balance December 31, 2014	Due Within One Year
<b>Business-Type Activities</b>						
Compensated absences	\$ 191,032	\$ 157,718	\$ -	\$ 116,801	\$ 231,949	\$ 115,974
Revenue bonds	19,765,000	16,660,615	1,371,646	1,765,000	36,032,261	1,762,076
Certificates of indebtedness	8,619,994	-	-	-	8,619,994	8,619,994
Total	\$ 28,576,026	\$ 16,818,333	\$ 1,371,646	\$ 1,881,801	\$ 44,884,204	\$ 10,498,044

Outstanding debt at December 31, 2014 (excluding compensated absences) consisted of the following issues:

**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.	\$ 25,000
\$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.	480,000
\$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.	<u>315,000</u>
Total	<u><u>\$ 820,000</u></u>

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 \$918,759. Principal and interest paid for the current year and total customer and tax revenues were \$211,308 and \$2,803,979, respectively.

Debt service requirements to maturity on the general obligation bond issues are summarized below:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2015	\$ 175,000	\$ 37,258
2016	150,000	27,306
2017	155,000	18,669
2018	165,000	11,588
2019	<u>175,000</u>	<u>3,938</u>
Total	<u><u>\$ 820,000</u></u>	<u><u>\$ 98,759</u></u>

## Revenue Bonds

\$125,600,000 State Revolving Fund Loan; \$16,660,615 drawn on loan at December 31, 2014 with \$108,939,385 available to be drawn; due in annual installments of \$4,350,000 to \$7,305,000 through September 1, 2037; interest at 2% paid semi-annually; liquidated out of the Sewer Fund.	\$ 16,660,615
\$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.	45,000
\$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.	45,000
\$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.	145,000
\$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.	455,000
\$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.	1,595,000
\$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.	555,000
\$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.	1,890,000
\$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.	11,620,000
\$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.	1,650,000
\$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	930,000
\$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	7,990,000
\$42,440,000 Sales Tax Revenue Bonds of 2013 Series A - due in annual installments of \$3,225,000 to \$6,079,200 through November 1, 2020; interest at 3.00 to 4.00%; liquidated out of the Sales Tax Fund	38,022,308
\$5,250,000 Sales Tax Revenue Bonds of 2013 Series B-1 - due in full on November 1, 2020; interest at 2.65% due annually; liquidated out of the Sales Tax Fund	3,452,692
\$750,000 Sales Tax Revenue Bonds of 2013 Series B-2 - due in full on November 1, 2020; interest at 2.65% due annually; liquidated out of the Sales Tax Fund	685,000
Total	<u>\$ 85,740,615</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 governmental 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 \$52,084,280. Principal and interest paid for the current year and total customer and tax revenues were \$8,666,957 and \$12,448,940, respectively.

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 and oil and gas sales tax revenues. 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 City has pledged their oil and gas sales tax revenue each year, sufficient to cover the principal and interest requirements of the City's SRF revenue bonds. The revenue bonds are payable through 2026 and the SRF bonds are payable through 2037. The total principal and interest remaining to be paid on the bonds is \$43,239,982. Principal and interest paid for the current year and total customer and supplemental sales tax and oil and gas tax revenues were \$2,295,065 and \$45,924,667, respectively.

Debt service requirements to maturity on the revenue bond issues are summarized below:

Year Ending December 31,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 6,512,924	\$ 204,998	\$ 1,762,076	\$ 499,281	\$ 8,275,000	\$ 704,279
2016	6,682,864	183,529	2,160,615	957,085	8,843,479	1,140,614
2017	6,887,796	157,658	2,385,987	730,983	9,273,783	888,641
2018	7,117,714	126,643	2,393,645	672,071	9,511,359	798,714
2019	7,362,633	89,765	2,456,554	612,325	9,819,187	702,090
2020-2024	15,144,423	1,613,333	11,873,081	2,079,682	27,017,504	3,693,015
2025-2029	-	-	6,018,924	1,013,460	6,018,924	1,013,460
2030-2034	-	-	4,232,961	532,172	4,232,961	532,172
2035-2039	-	-	2,748,418	110,662	2,748,418	110,662
Total	<u>\$ 49,708,354</u>	<u>\$ 2,375,926</u>	<u>\$ 36,032,261</u>	<u>\$ 7,207,721</u>	<u>\$ 85,740,615</u>	<u>\$ 9,583,647</u>

### Certificates of Indebtedness

\$43,155,000 Certificate of Indebtedness Series 2013A - due in annual installments of \$6,344,663 to \$24,482,250 through November 1, 2015; interest at 1.00% to 2.50%; liquidated out of the General Fund and the Sewer Fund	\$ 12,615,000
\$8,345,000 Certificate of Indebtedness Series 2013B - due in annual installments of \$1,218,300 to \$4,716,700 through November 1, 2015; interest at 2.00%; liquidated out of the General Fund	<u>2,435,000</u>
	<u>\$ 15,050,000</u>

The City has pledged future revenues related to oil and gas production tax revenues generated from 2013 through 2015 to repay the certificates of indebtedness. Proceeds from the bonds provided financing for infrastructure needs of the City. The certificates of indebtedness are payable through 2015. The total principal and interest remaining to be paid on the certificates is \$15,316,455. Principal and interest paid for the current year was \$37,483,546. Total oil and gas production tax revenues were \$33,475,727 in the current year. Debt service requirements to maturity on the certificates of indebtedness are summarized below:

Year Ending December 31,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 6,430,006	\$ 113,841	\$ 8,619,994	\$ 152,614	\$ 15,050,000	\$ 266,455
Total	\$ 6,430,006	\$ 113,841	\$ 8,619,994	\$ 152,614	\$ 15,050,000	\$ 266,455

### 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.	\$ 5,000
\$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.	160,000
\$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.	270,000
\$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.	270,000
\$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.	355,000
\$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.	475,000
\$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	1,675,000
\$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	1,545,000
\$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	565,000
\$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.	5,165,000
\$4,490,000 Refunding Improvement Bonds of 2014 - due in annual installments of \$220,000 to \$255,000 through May 1, 2033; interest at 2.00% to 5.00%; liquidated from special assessment warrants.	4,490,000
\$15,075,000 Refunding Improvement Bonds of 2014 Series B - due in annual installments of \$450,000 to \$800,000 through May 1, 2034; interest at 1.00% to 4.00%; liquidated from special assessment warrants.	15,075,000
Total	<u>\$ 30,050,000</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.

Debt service requirements to maturity on the revenue bond issues are summarized below:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,640,000	\$ 899,983
2016	1,980,000	904,145
2017	1,960,000	837,436
2018	1,910,000	769,100
2019	1,845,000	700,485
2020-2024	8,560,000	2,537,253
2025-2029	6,980,000	1,203,051
2030-2034	5,175,000	226,068
Total	<u>\$ 30,050,000</u>	<u>\$ 8,077,521</u>

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, 2014.

## **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, 2014, there were four series of MIDA Bonds outstanding. The aggregate principal amount payable for the series could not be determined; however, their original issue amounts totaled \$60,723,000.



### **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 \$473,563 at December 31, 2014, which is based on 88.51% usage (filled) of the landfill. It is estimated that an additional \$61,443 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 \$534,979 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, 2014. The estimated remaining life of the landfill is 26 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 6.12% of their annual covered salary. The City is required to contribute 9.14% of the employees' salary which consists of 7.12% for employee retirement, 1.14% for the retiree health benefits fund, and 0.88% of the member assessments which the City has agreed to pay 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 5.5% of their annual covered salary. The City is required to contribute 10.95% of the employees' salary, which consists of 9.81% 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, 2014, 2013, and 2012 were \$991,429, \$741,363, and \$521,159, 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, 2014, 2013, and 2012 were \$33,993, \$31,945, and \$31,905, 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 \$4,297,007 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 Fund currently provides the City with an aggregate coverage limit of \$225,000,000 with specific special limits varying from \$500 to \$500,000.

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 - 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, 2014:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 5,235,462	\$ 40,231,511
Sales Tax	-	12,028,290
Capital Projects	26,510,815	160,343
2013A Certificate of Indebtedness	31,449,351	-
Other Governmental Funds	16,016,166	6,841,617
Water Fund	228,044	3,878,596
Sewer Fund	300,000	16,463,496
Non Major Enterprise Funds	1,372,480	1,508,465
Governmental Activities	-	48,923,010
Business-Type Activities	48,923,010	-
	<u>\$ 130,035,328</u>	<u>\$ 130,035,328</u>
Total transfers	<u>\$ 130,035,328</u>	<u>\$ 130,035,328</u>

Transfers are used to: move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and transfer capital assets acquired through the governmental funds to the business-type funds.

During 2014, the City transferred \$1,371,646 of debt out of its capital projects fund for projects completed in the enterprise funds. This is reflected in the capital projects fund as a transfer out and as a change in debt in the governmental activities and business-type activities.

**Note 20 - 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 as 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 21 - Correction of an Error**

The City receives payments from the Western Area Water Supply Authority relating to water sales every year at the time that the Supply Authority closes their books. The City received payments in December of 2014 relating to 2013 water sales. The correct treatment of this transaction should have been to record revenue in 2013. The beginning net position of the water fund and the beginning net position of business type activities have been restated to reflect the understatement of the revenues as reported in the prior financial statements. The effect of the restatement is as follows:

	Water Fund	Business Type Activities
Net position - January 1, as previously reported	\$ 40,303,509	\$ 97,551,518
Restatement		
Understatement of revenue	956,203	956,203
Net position - January 1, as restated	\$ 41,259,712	\$ 98,507,721

Prior to January 1, 2014 the City had not been recording an expense for amounts contributed for the portion of rent that they are paying for employees apartments. The beginning fund balance of the general fund and the beginning net position of the government-wide statements have been restated to reflect the understatement of expenses as reported in the prior financial statements. The effect of the restatement is as follows:

	General Fund	Government Wide
Fund balance/net position - January 1, as previously reported	\$ 11,395,049	\$ 87,234,207
Restatement		
Understatement of expense	(174,790)	(174,790)
Fund balance/net position - January 1, as restated	\$ 11,220,259	\$ 87,059,417

## **Note 22 - Future Accounting Pronouncements**

**GASB Statement No. 68**, “*Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27*” was issued in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

## **Note 23 - Subsequent Events**

Subsequent to year-end, the City entered into construction commitments of approximately \$144,794,000.

In 2015, the City borrowed additional SRF funding up to \$125,600,000 for construction of a wastewater treatment facility. The loan has an interest rate of 2%, is due in annual installments, and matures on September 1, 2037. The City will make draws until the sewer plant is completed, the final loan amount will be determined when the final draw is made.

The City also had additional debt in the form of Public Safety Sales Tax Revenue Bonds Series 2015A & 2015B for \$24,530,000 and \$20,000,000, respectively. The Series 2015A bonds have a variable interest rate from 4-5%, are due in annual installments, and mature on July 15, 2025. The Series 2015B bonds have an interest rate of 3.1% and mature on July 15, 2025 with the full amount due at that time.



Supplementary Information  
December 31, 2014  
**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, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated November 3, 2015. The report on the governmental activities, business-type activities, water fund, sewer fund, and aggregate remaining funds 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.

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 listed as 2014-A, 2014-B, 2014-C, and 2014-D 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.

### **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 Responses 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 Saelly LLP".

Bismarck, North Dakota  
November 3, 2015





## **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, 2014. 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, 2014.

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## 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 and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bismarck, North Dakota  
November 3, 2015

Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2014

Federal Grantor, Pass-through Grantor and Program Title	Pass-through Grant Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing &amp; 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	\$ 25,044
Total U.S. Department of Housing and Urban Development			<u>25,044</u>
<u>U.S. Department of Justice</u>			
Bulletproof Vest Partnership Program		16.607	2,037
Passed through North Dakota Department of Attorney General Missing Children's Assistance		16.543	<u>7,956</u>
Total U.S. Department of Justice			<u>9,993</u>
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	AIP 3-38-0058-035-2011	20.106	1,873
Airport Improvement Program	AIP 3-38-0058-036-2011	20.106	64,946
Airport Improvement Program	AIP 3-38-0058-037-2011	20.106	987,516
Airport Improvement Program	AIP 3-38-0058-038-2011	20.106	10,631
Total Airport Improvement Program			<u>1,064,966</u>
Passed through North Dakota Department of Transportation			
Highway Planning and Construction	SU 7993 (043) 050	20.205	592,368
Highway Planning and Construction	SU 7993 (044) 051	20.205	606,279
Highway Planning and Construction	SU 7993 (045) 052	20.205	192,000
Highway Planning and Construction	SU 7993 (046) 053	20.205	24,803
Total Highway Planning and Construction			<u>1,415,450</u>
State and Community Highway Safety	PHSPOP 1405-05-27	20.600	793
State and Community Highway Safety	PHSP 4021307-02-11	20.600	1,500
Alcohol Highway Safety	PHSPID 1410-03-27	20.601	2,475
State and Community Highway Safety	PHSPID 1410-03-82	20.601	1,113
Cluster total			<u>5,881</u>
Total U.S. Department of Transportation			<u>2,486,297</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through North Dakota Department of Health Capitalization Grants for Clean Water State Revolving Fund	380820-04	66.458	<u>16,793,924</u>
Total Environmental Protection Agency			<u>16,793,924</u>
Total Expenditures of Federal Awards			<u>\$ 19,315,258</u>

## **Notes to Schedule of Expenditures of Federal Awards**

### **Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. The City received federal awards both directly from federal agencies and indirectly through pass-through entities.

### **Note B – Significant Accounting Policies**

Governmental fund types account for the City's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements.

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors' report issued	Qualified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

**Federal Awards**

Internal control over federal programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
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)	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA number</u>
Airport Improvement Program	20.106
Capitalization Grants for Clean Water State Revolving Funds	66.458
Dollar threshold used to distinguish between Type A and Type B programs	\$579,458
Auditee qualified as low-risk auditee	No

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**Section II – Financial Statement Findings**

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**2014-A Recording of Transactions**  
**Material Weakness**

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.

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.

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.

**2014-B Preparation of Financial Statements**  
**Material Weakness**

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

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

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.

**2014-C Staff Size in Relation to Work Demands**  
**Material Weakness**

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.

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.

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 2014-A.

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.

**2014-D Bank Reconciliations**  
**Material Weakness**

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

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.

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.

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.



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**Section III – Federal Award Findings and Questioned Costs**

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No findings reported

**2013-001 Passed through United States Department of Transportation  
CFDA #20.106  
Airport Improvement Program**

**Allowable Costs & Activities  
Material Weakness in Internal Control over Compliance**

Criteria – The City’s policy requires that all Airport Improvement Program expenditures be approved by either the Airport Manager or the Assistant Airport Manager to ensure that all costs charged to the program are allowable.

Condition – An unauthorized individual approved three of the five expenditures tested for the Airport Improvement Program.

Cause – The invoices were approved by someone without proper authority and the City’s control system did not identify the discrepancies.

Effect – This could result in unallowable costs being approved.

Recommendation – We recommend the City ensure only individuals with authorized authority are approving expenditures and that the individuals processing payments ensure they are only processed if they have been approved by the appropriate individuals.

Status: This finding was corrected during 2014.

**2013-002 Passed through United States Department of Transportation  
CFDA # 20.106  
Airport Improvement Grant**

**Reporting  
Significant Deficiency in Internal Control over Compliance**

Criteria – The City is required to submit report FAA Form 5100-127 as part of the Airport Improvement Program which summarizes operating and financial activity of the Airport.

Condition – We were unable to verify the accuracy of all of the amounts that the City reported on FAA Form 5100-127, Operating and Financial Summary. We were unable to trace amounts reported for FBO revenue, fuel sales net profit, other non-passenger revenues, other non-operating revenues, rental car revenues, and airfield, terminal, and parking capital expenditures to the City’s accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards.

Cause – The City did not maintain the supporting documentation used to complete the report and was unable to re-perform the calculations based on its accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards.

Effect – This could result in inaccurate information 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 reports are accurate including a review process of the reports being submitted to ensure the information is accurate.

Status: This finding was corrected during 2014.