

**CITY OF WILLISTON
WILLISTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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CITY OF WILLISTON
OFFICIAL DIRECTORY (UNAUDITED)
AS OF DECEMBER 31, 2017

<u>Names</u>	<u>Office</u>
Howard Klug	President
Brad Bekkedahl	Vice President
Tate Cymbaluk	City Commissioner
Deanette Piesik	City Commissioner
Chris Brostuen	City Commissioner
John Kautzman	City Auditor
David Tuan	City Administrator



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of 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, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
Water Fund	Qualified
Sewer Fund	Qualified
General Fund	Unmodified
Sales Tax Fund	Unmodified
Capital Projects Fund	Unmodified
2016 Refunding Bond Fund	Unmodified
Aggregate Remaining Fund	Qualified

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

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 fund information has not been determined.

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

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 Fund Information” 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 Fund Information of the City of Williston as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Sales Tax, Capital Project fund, and the 2016 Refunding Bond fund of the City of Williston, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Sales Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of City's contributions to NDPERS retirement fund, and schedule of City's and non-employer proportionate share of the net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018 on our consideration of the City of Williston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 of Williston's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 21, 2018

CITY OF WILLISTON
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 101,659,850	\$ 7,689,807	\$ 109,349,657
Accounts Receivable (Net)	2,435,002	2,096,614	4,531,616
Current Portion of Receivable from WAWSA	-	1,448,750	1,448,750
Intergovernmental Receivable, Net	19,137,290	-	19,137,290
Taxes Receivable	269,612	-	269,612
Special Assessments Receivable	47,407,616	-	47,407,616
Internal Balances	6,166,915	(6,166,915)	-
Inventory	-	488,365	488,365
Total Current Assets	<u>177,076,285</u>	<u>5,556,621</u>	<u>182,632,906</u>
Restricted Cash and Cash Equivalents	10,032,288	5,318,031	15,350,319
Receivable from WAWSA - Net of Current Portion	-	9,940,000	9,940,000
Other Assets	1,725,000	-	1,725,000
Cost Shared Infrastructure, Net	-	4,649,420	4,649,420
Capital Assets not being Depreciated:			
Land	14,050,201	457,470	14,507,671
Construction in Progress	71,574,398	130,524,439	202,098,837
Capital Assets (Net of Accumulated Depreciation)			
Buildings	21,718,338	87,298,075	109,016,413
Improvements other than Buildings	144,641,829	114,478,115	259,119,944
Equipment	9,610,817	3,361,068	12,971,885
Total Capital Assets (Net of Accumulated Depreciation)	<u>261,595,583</u>	<u>336,119,167</u>	<u>597,714,750</u>
Total Non-Current Assets	<u>273,352,871</u>	<u>356,026,618</u>	<u>629,379,489</u>
Total Assets	<u>450,429,156</u>	<u>361,583,239</u>	<u>812,012,395</u>
DEFERRED OUTFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan	11,161,546	2,505,010	13,666,556
Cost Shared Infrastructure	-	305,629	305,629
Total Deferred Outflows of Resources	<u>11,161,546</u>	<u>2,810,639</u>	<u>13,972,185</u>
LIABILITIES			
Accounts Payable	8,873,046	262,964	9,136,010
Escrow Payable	65,000	-	65,000
Retainage Payable	1,946,420	-	1,946,420
Salaries and Benefits Payable	1,156,555	158,762	1,315,317
Deposits Payable	-	56,542	56,542
Grant Payable	50,000	-	50,000
Accrued Interest Payable	1,172,467	740,791	1,913,258
Long-Term Liabilities Due Within One Year	16,956,735	5,542,065	22,498,800
Current Portion of Liability for Cost Shared Infrastructure	-	177,034	177,034
Noncurrent Liabilities:			
General Obligation Bonds Payable	340,000	-	340,000
Revenue Bonds Payable	73,980,000	110,743,594	184,723,594
Certificate of Indebtness	24,996,056	-	24,996,056
Capital Lease	495,635	-	495,635
Special Assessment Bonds Payable	55,005,000	-	55,005,000
Bond Discounts	(601,991)	-	(601,991)
Bond Premiums	2,484,749	-	2,484,749
Cost Shared Infrastructure	-	4,805,300	4,805,300
Landfill Closure Costs	-	554,466	554,466
Net Pension Liability	18,447,886	4,268,799	22,716,685
Compensated Absences Payable	1,490,304	316,638	1,806,942
Less Amounts Due within One Year	<u>(16,956,735)</u>	<u>(5,719,099)</u>	<u>(22,675,834)</u>
Total Liabilities	<u>189,901,127</u>	<u>121,907,856</u>	<u>311,808,983</u>
DEFERRED INFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan	703,994	117,079	821,073
Deferred Inflows - Western Area Water Supply Authority	-	72,658,589	72,658,589
Total Deferred Inflows of Resources	<u>703,994</u>	<u>72,775,668</u>	<u>73,479,662</u>
NET POSITION			
Net Investment in Capital Assets	157,954,714	152,561,104	310,515,818
Restricted for:			
Urban and Economic Development	20,277,752	-	20,277,752
General Government	1,369	-	1,369
Culture and Recreation	820,365	-	820,365
Public Works	242,332	-	242,332
Airport	3,637,989	-	3,637,989
Public Safety	7,709,967	-	7,709,967
Health and Welfare	467,343	-	467,343
Capital Projects	6,303,433	-	6,303,433
Debt Service	81,429,153	5,318,031	86,747,184
Unrestricted	<u>(7,858,836)</u>	<u>11,831,219</u>	<u>3,972,383</u>
Total Net Position	<u>\$ 270,985,581</u>	<u>\$ 169,710,354</u>	<u>\$ 440,695,935</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 12,776,420	\$ 2,704,963	\$ 214,092	\$ -	\$ (9,857,365)	\$ -	\$ (9,857,365)
Public Safety	14,249,069	2,119,589	4,982	-	(12,124,498)	-	(12,124,498)
Public Works	22,922,960	77,090	928,567	5,468,732	(16,448,571)	-	(16,448,571)
Health and Welfare	707,930	725,678	-	-	17,748	-	17,748
Culture and Recreation	9,682,799	173,589	10,427	-	(9,498,783)	-	(9,498,783)
Economic Development	1,839,149	-	399,308	-	(1,439,841)	-	(1,439,841)
Airport	2,553,090	1,721,146	870,978	18,268,966	18,308,000	-	18,308,000
Interest and Fees	5,341,227	-	-	-	(5,341,227)	-	(5,341,227)
Total Governmental Activities	<u>70,072,644</u>	<u>7,522,055</u>	<u>2,428,354</u>	<u>23,737,698</u>	<u>(36,384,537)</u>	<u>-</u>	<u>(36,384,537)</u>
Business-type Activities:							
Water	14,733,602	10,706,994	-	766,899	-	(3,259,709)	(3,259,709)
Sewer	5,622,478	1,264,567	-	-	-	(4,357,911)	(4,357,911)
Landfill	1,551,763	2,615,644	-	-	-	1,063,881	1,063,881
Refuse	2,641,679	2,483,310	-	-	-	(158,369)	(158,369)
Total Business-type Activities	<u>24,549,522</u>	<u>17,070,515</u>	<u>-</u>	<u>766,899</u>	<u>-</u>	<u>(6,712,108)</u>	<u>(6,712,108)</u>
Total Primary Government	<u>\$ 94,622,166</u>	<u>\$ 24,592,570</u>	<u>\$ 2,428,354</u>	<u>\$ 24,504,597</u>			
General Revenues:							
Property Taxes							
Property Taxes, Levied for General Purposes					34,499,660	-	34,499,660
Property Taxes, Levied for Special Purposes					6,167,080	-	6,167,080
City Sales Tax					27,377,692	-	27,377,692
Cable Franchise Tax					297,855	-	297,855
Unrestricted State Aid					1,579,213	-	1,579,213
Interest					126,481	385	126,866
Oil and Gas Royalties					1,932,006	172,756	2,104,762
Refunds and Reimbursements					791,031	-	791,031
Miscellaneous Revenue					309,078	-	309,078
Gain on Sale of Capital Asset					-	3,750	3,750
Transfers					(3,141,100)	3,141,100	-
Total General Revenues and Transfers					<u>69,938,996</u>	<u>3,317,991</u>	<u>73,256,987</u>
Change in Net Position					33,554,459	(3,394,117)	30,160,342
Net Position - Beginning					<u>237,431,122</u>	<u>173,104,471</u>	<u>410,535,593</u>
Net Position - Ending					<u>\$ 270,985,581</u>	<u>\$ 169,710,354</u>	<u>\$ 440,695,935</u>

See Notes to the Financial Statements

CITY OF WILLISTON
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2017

	General	Sales Tax	Capital Projects Fund	2016 Refunding Bond	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 48,847,636	\$ 14,074,041	\$ -	\$ -	\$ 38,738,173	\$ 101,659,850
Accounts receivable, net	2,196,743	-	24,077	-	214,182	2,435,002
Intergovernmental receivable, net	2,693,255	1,425,804	13,856,382	-	1,161,849	19,137,290
Taxes receivable	233,631	-	-	-	35,981	269,612
Special assessments receivable	8,534	-	173,614	14,503,411	32,722,057	47,407,616
Due from other funds	9,256,049	-	-	-	-	9,256,049
Interfund loans receivable	-	-	-	-	212,170	212,170
Restricted cash and investments	-	-	-	-	10,032,288	10,032,288
Other assets	-	-	-	-	1,725,000	1,725,000
Total Assets	<u>\$ 63,235,848</u>	<u>\$ 15,499,845</u>	<u>\$ 14,054,073</u>	<u>\$ 14,503,411</u>	<u>\$ 84,841,700</u>	<u>\$ 192,134,877</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 495,678	\$ 1,500	\$ 7,908,398	\$ -	\$ 467,470	\$ 8,873,046
Escrow payable	65,000	-	-	-	-	65,000
Retainage payable	-	-	1,946,420	-	-	1,946,420
Salaries and benefits payable	866,182	-	-	-	290,373	1,156,555
Due to other funds	-	-	2,718,929	370,205	-	3,089,134
Interfund loans payable	212,170	-	-	-	-	212,170
Grant payable	-	-	-	-	50,000	50,000
Total Liabilities	<u>1,639,030</u>	<u>1,500</u>	<u>12,573,747</u>	<u>370,205</u>	<u>807,843</u>	<u>15,392,325</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	214,405	-	-	-	34,316	248,721
Unavailable revenue - special assessments	8,035	-	143,073	14,262,825	31,789,412	46,203,345
Total Deferred Inflows of Resources:	<u>222,440</u>	<u>-</u>	<u>143,073</u>	<u>14,262,825</u>	<u>31,823,728</u>	<u>46,452,066</u>
FUND BALANCES						
Restricted	4,525,784	15,498,345	1,337,253	-	55,709,779	77,071,161
Unassigned	56,848,594	-	-	(129,619)	(3,659,513)	53,059,462
Total Fund Balances	<u>61,374,378</u>	<u>15,498,345</u>	<u>1,337,253</u>	<u>(129,619)</u>	<u>52,210,129</u>	<u>130,290,486</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 63,235,848</u>	<u>\$ 15,499,845</u>	<u>\$ 14,054,073</u>	<u>\$ 14,503,411</u>	<u>\$ 84,841,700</u>	<u>\$ 192,134,877</u>

See Notes to the Financial Statements

CITY OF WILLISTON
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

Total Governmental Funds Balances \$ 130,290,486

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Capital Assets	\$ 307,850,318	
Accumulated Depreciation	<u>(46,254,735)</u>	261,595,583

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.

Property taxes	248,721	
Special assessments	<u>46,203,345</u>	46,452,066

Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.

Deferred outflows	11,161,546	
Deferred inflows	<u>(703,994)</u>	10,457,552

Long-term liabilities are not due and payable in the current period and, therefore, are not included in the governmental funds:

General obligation bonds payable	(340,000)	
Revenue bonds payable	(73,980,000)	
Certificates of indebtedness	(24,996,056)	
Capital Lease	(495,635)	
Special assessment bonds payable	(55,005,000)	
Bond premiums	(2,484,749)	
Bond discounts	601,991	
Interest payable	(1,172,467)	
Net pension liability	(18,447,886)	
Compensated absences	<u>(1,490,304)</u>	<u>(177,810,106)</u>

Net Position of Governmental Activities \$ 270,985,581

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Sales Tax	Capital Projects Fund	2016 Refunding Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 35,222,364	\$ 17,618,742	\$ -	\$ -	\$ 15,501,181	\$ 68,342,287
Special assessments	-	-	64,923	913,939	2,213,853	3,192,715
Licenses, permits and fees	517,452	-	-	-	-	517,452
Intergovernmental	1,908,343	-	20,364,312	-	1,424,324	23,696,979
Intragovernmental	1,007,384	-	-	-	-	1,007,384
Charges for services	1,798,174	195,000	-	-	3,142,048	5,135,222
Fines, forfeitures and penalties	849,162	-	-	-	12,836	861,998
Interest	78,194	11,291	-	-	36,996	126,481
Oil and gas royalties	1,932,006	-	-	-	-	1,932,006
Refunds and reimbursements	191,458	-	191,857	-	407,716	791,031
Miscellaneous	306,368	-	-	-	2,707	309,075
Total Revenues	<u>43,810,905</u>	<u>17,825,033</u>	<u>20,621,092</u>	<u>913,939</u>	<u>22,741,661</u>	<u>105,912,630</u>
EXPENDITURES						
Current:						
General government	7,375,121	-	-	-	2,968,405	10,343,526
Public safety	7,998,496	-	-	-	4,539,521	12,538,017
Public works	5,843,648	-	1,607,715	-	25,181	7,476,544
Health and welfare	-	-	-	-	707,930	707,930
Culture and recreation	-	8,933,452	-	-	676,082	9,609,534
Economic development	444,703	-	-	-	1,394,446	1,839,149
Airport	1,512,969	-	-	-	-	1,512,969
Capital Outlay	911,131	3,881,786	64,934,296	-	1,191,701	70,918,914
Debt Service:						
Principal retirement	155,000	-	-	835,000	17,832,492	18,822,492
Interest and fees	47,040	1,680	519,698	681,997	4,534,395	5,784,810
Total Expenditures	<u>24,288,108</u>	<u>12,816,918</u>	<u>67,061,709</u>	<u>1,516,997</u>	<u>33,870,153</u>	<u>139,553,885</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>19,522,797</u>	<u>5,008,115</u>	<u>(46,440,617)</u>	<u>(603,058)</u>	<u>(11,128,492)</u>	<u>(33,641,255)</u>
OTHER FINANCING SOURCES (USES)						
Sale of assets	-	-	30,006	-	50,050	80,056
Debt issued	-	-	46,310,000	-	739,183	47,049,183
Bond premiums (discounts)	-	-	(173,513)	-	-	(173,513)
Transfers in	10,342,332	22,627,321	27,831,536	1,371,097	49,523,467	111,695,753
Transfers out	(6,047,354)	(25,128,740)	(48,260,944)	(538,301)	(18,246,469)	(98,221,808)
Total other financing sources and uses	<u>4,294,978</u>	<u>(2,501,419)</u>	<u>25,737,085</u>	<u>832,796</u>	<u>32,066,231</u>	<u>60,429,671</u>
Net Change in Fund Balances	<u>23,817,775</u>	<u>2,506,696</u>	<u>(20,703,532)</u>	<u>229,738</u>	<u>20,937,739</u>	<u>26,788,416</u>
Fund Balances - Beginning	<u>37,556,603</u>	<u>12,991,649</u>	<u>22,040,785</u>	<u>(359,357)</u>	<u>31,272,390</u>	<u>103,502,070</u>
Fund Balances - Ending	<u>\$ 61,374,378</u>	<u>\$ 15,498,345</u>	<u>\$ 1,337,253</u>	<u>\$ (129,619)</u>	<u>\$ 52,210,129</u>	<u>\$ 130,290,486</u>

See Notes to the Financial Statements

CITY OF WILLISTON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ 26,788,416

Amounts reported for governmental activities in the statement of activities are different because:

Capital Outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.

Capital Outlays	42,306,286
Depreciation Expense	(6,493,661)

Loss on disposal of capital assets	(39,492)
Proceeds from sale of capital assets	(80,056)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Property Taxes	(436,961)
Special Assessments	1,292,533

Proceeds from long-term debt provides financial resources to the governmental funds but the issuance increases long-term liabilities in the statement of net position.	(47,049,183)
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Discounts from long-term debt are an expenditure in the governmental funds but the issuance is a contraliability in the statement of net position.	173,512
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Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	24,524,395
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Changes of the Net Pension Liability is an expenditure in the governmental funds, but the change reduces long-term liabilities in the statement of net position.	(8,339,025)
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Changes in deferred outflows and inflows of resources related to the net pension liability.	6,289,217
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued Vacation Payable	(123,204)
Interest	443,585

Changes in Net Position	<u>\$ 39,256,362</u>
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See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Property taxes	\$ 34,843,990	\$ 34,378,415	\$ (465,575)
Licenses, permits and fees	618,700	514,072	(104,628)
Intergovernmental	2,078,275	1,889,563	(188,712)
Intragovernmental	973,000	1,007,384	34,384
Charges for services	75,900	-	(75,900)
Fines, forfeitures and penalties	1,032,500	813,156	(219,344)
Interest	10,000	39,793	29,793
Refunds and reimbursements	200,000	163,522	(36,478)
Miscellaneous	304,630	297,218	(7,412)
Total Revenues	<u>40,136,995</u>	<u>39,103,123</u>	<u>(1,033,872)</u>
EXPENDITURES			
Current:			
General government	7,410,513	5,657,839	1,752,674
Public safety	8,671,818	7,949,451	722,367
Public works	7,160,787	5,354,585	1,806,202
Culture and recreation	4,000	-	4,000
Economic development	436,808	444,703	(7,895)
Airport	150,000	-	150,000
Capital Outlay	8,236,850	878,175	7,358,675
Debt Service:			
Interest and fees	<u>100</u>	<u>26,267</u>	<u>(26,167)</u>
Total Expenditures	<u>32,070,876</u>	<u>20,311,020</u>	<u>11,759,856</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,066,119</u>	<u>18,792,103</u>	<u>10,725,984</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,021,000	8,129,900	5,108,900
Transfers out	<u>-</u>	<u>(5,285,919)</u>	<u>(5,285,919)</u>
Total Other Financing Sources and Uses	<u>3,021,000</u>	<u>2,843,981</u>	<u>(177,019)</u>
Net Change in Fund Balances	11,087,119	21,636,084	10,548,965
Fund Balances - Beginning	<u>35,636,331</u>	<u>35,636,331</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 46,723,450</u>	<u>\$ 57,272,415</u>	<u>\$ 10,548,965</u>
General Fund in Addition to Fund 100:			
General fund		\$ 57,272,415	
Planning study		(12,867)	
Parking Authority		242,332	
City building		647,119	
Insurance reserve		(410,954)	
Airport		<u>3,636,333</u>	
Total General Fund		<u>\$ 61,374,378</u>	

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
REVENUES			
Sales taxes	\$ 15,750,000	\$ 17,618,742	\$ 1,868,742
Charges for services	-	195,000	(195,000)
Interest	-	11,291	11,291
Total Revenues	<u>15,750,000</u>	<u>17,825,033</u>	<u>1,685,033</u>
EXPENDITURES			
Current:			
Culture and recreation	7,000,000	8,933,452	(1,933,452)
Capital Outlay	-	3,881,786	(3,881,786)
Debt Service:			
Interest and fees	-	1,680	(1,680)
Total Expenditures	<u>7,000,000</u>	<u>12,816,918</u>	<u>(5,816,918)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,750,000</u>	<u>5,008,115</u>	<u>(3,741,885)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	22,627,321	(22,627,321)
Transfers out	<u>(5,250,000)</u>	<u>(25,128,740)</u>	<u>(19,878,740)</u>
Total Other Financing Sources and Uses	<u>(5,250,000)</u>	<u>(2,501,419)</u>	<u>(2,748,581)</u>
Net Change in Fund Balances	<u>3,500,000</u>	<u>2,506,696</u>	<u>(993,304)</u>
Fund Balances - Beginning	<u>12,991,649</u>	<u>12,991,649</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 16,491,649</u>	<u>\$ 15,498,345</u>	<u>\$ (993,304)</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT NET POSITION
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-Major	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 838,636	\$ -	\$ 6,851,171	\$ 7,689,807
Accounts receivable (net)	1,303,491	156,387	636,736	2,096,614
Current portion of receivable from WAWSA	1,448,750	-	-	1,448,750
Inventory	472,134	16,231	-	488,365
Total Current Assets	<u>4,063,011</u>	<u>172,618</u>	<u>7,487,907</u>	<u>11,723,536</u>
Non-Current Assets:				
Restricted cash and cash equivalents	1,629,375	3,134,190	554,466	5,318,031
Receivable from WAWSA - net of current portion	9,940,000	-	-	9,940,000
Cost Shared Infrastructure	4,649,420	-	-	4,649,420
Capital assets:				
Land	377,956	-	79,514	457,470
Construction in Progress	3,138,002	122,576,573	4,809,864	130,524,439
Capital assets (net of accumulated depreciation):				
Buildings	76,333,734	8,479,452	2,484,889	87,298,075
Improvements other than buildings	57,533,502	55,754,112	1,190,501	114,478,115
Equipment	415,225	846,932	2,098,911	3,361,068
Total Non-Current Assets	<u>154,017,214</u>	<u>190,791,259</u>	<u>11,218,145</u>	<u>356,026,618</u>
Total Assets	<u>158,080,225</u>	<u>190,963,877</u>	<u>18,706,052</u>	<u>367,750,154</u>
DEFERRED OUTFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	1,312,148	357,859	835,003	2,505,010
Cost Shared Infrastructure	305,629	-	-	305,629
Total Deferred Outflows of Resources	<u>1,617,777</u>	<u>357,859</u>	<u>835,003</u>	<u>2,810,639</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	141,910	55,312	65,742	262,964
Salaries and benefits payable	66,454	31,230	61,078	158,762
Deposits payable	56,542	-	-	56,542
Due to other funds	1,000,000	5,166,915	-	6,166,915
Accrued interest payable	94,260	646,531	-	740,791
Revenue bonds payable	1,340,000	4,002,365	-	5,342,365
Current portion of liability on cost shared infrastructure	177,034	-	-	177,034
Compensated absences	77,200	45,300	77,200	199,700
Total Current Liabilities	<u>2,953,400</u>	<u>9,947,653</u>	<u>204,020</u>	<u>13,105,073</u>
Non-Current Liabilities:				
Revenue bonds payable	9,940,000	95,461,229	-	105,401,229
Liability for cost shared infrastructure	4,628,266	-	-	4,628,266
Net pension liability	2,236,037	609,829	1,422,933	4,268,799
Accrued closure and postclosure liability	-	-	554,466	554,466
Compensated absences	65,137	8,972	42,829	116,938
Total Non-Current Liabilities	<u>16,869,440</u>	<u>96,080,030</u>	<u>2,020,228</u>	<u>114,969,698</u>
Total Liabilities	<u>19,822,840</u>	<u>106,027,683</u>	<u>2,224,248</u>	<u>128,074,771</u>
DEFERRED INFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	61,327	16,725	39,027	117,079
Deferred Inflows - Western Area Water Supply Authority	72,658,589	-	-	72,658,589
Total Deferred Inflows of Resources	<u>72,719,916</u>	<u>16,725</u>	<u>39,027</u>	<u>72,775,668</u>
NET POSITION				
Net Investment in Capital Assets	53,703,950	88,193,475	10,663,679	152,561,104
Restricted	1,629,375	3,134,190	554,466	5,318,031
Unrestricted	11,821,921	(6,050,337)	6,059,635	11,831,219
Total Net Position	<u>\$ 67,155,246</u>	<u>\$ 85,277,328</u>	<u>\$ 17,277,780</u>	<u>\$ 169,710,354</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Non-Major	Current Year
OPERATING REVENUES:				
Charges for service	\$ 10,668,788	\$ 1,260,475	\$ 5,053,790	\$ 16,983,053
Miscellaneous	38,206	4,092	45,165	87,463
Total Operating Revenues	<u>10,706,994</u>	<u>1,264,567</u>	<u>5,098,955</u>	<u>17,070,516</u>
OPERATING EXPENSES:				
Salaries and benefits	2,161,301	946,730	1,947,008	5,055,039
Materials and supplies	5,282,732	740,655	735,443	6,758,830
Contractual services	651,587	35,362	260,237	947,186
Depreciation	3,148,392	1,515,417	1,212,502	5,876,311
Amortization	209,434	-	-	209,434
Miscellaneous	2,857,730	3,622	36,536	2,897,888
Total Operating Expenses	<u>14,311,176</u>	<u>3,241,786</u>	<u>4,191,726</u>	<u>21,744,688</u>
Operating Income (Loss)	<u>(3,604,182)</u>	<u>(1,977,219)</u>	<u>907,229</u>	<u>(4,674,172)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	-	-	385	385
Oil and gas royalties	172,756	-	-	172,756
Interest and service charges	(422,426)	(2,380,692)	(1,717)	(2,804,835)
Amortization of WAWSA deferred inflows	766,899	-	-	766,899
Gain on sale of capital asset	-	-	3,750	3,750
Total Non-Operating Revenues (Expenses)	<u>517,229</u>	<u>(2,380,692)</u>	<u>2,418</u>	<u>(1,861,045)</u>
Income (Loss) before contributions and transfers	<u>(3,086,953)</u>	<u>(4,357,911)</u>	<u>909,647</u>	<u>(6,535,217)</u>
Capital contributions	2,518,378	12,337,331	1,759,336	16,615,045
Transfers in	259,148	1,490,220	-	1,749,368
Transfers out	-	(12,669,659)	(2,553,654)	(15,223,313)
Changes in Net Position	<u>(309,427)</u>	<u>(3,200,019)</u>	<u>115,329</u>	<u>(3,394,117)</u>
Total Net Position - Beginning	<u>67,464,673</u>	<u>88,477,347</u>	<u>17,162,451</u>	<u>173,104,471</u>
Total Net Position - Ending	<u>\$ 67,155,246</u>	<u>\$ 85,277,328</u>	<u>\$ 17,277,780</u>	<u>\$ 169,710,354</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-Major Funds	Totals Current Year
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 11,613,756	\$ 1,219,503	\$ 5,166,002	\$ 17,999,261
Payments to Suppliers	(8,748,432)	(772,028)	(1,048,132)	(10,568,592)
Payments to Employees	(1,909,232)	(857,626)	(1,760,538)	(4,527,396)
Other Operating Revenue	38,206	4,092	45,165	87,463
Net Cash Provided (Used) by Operating Activities	<u>994,298</u>	<u>(406,059)</u>	<u>2,402,497</u>	<u>2,990,736</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	259,148	1,490,220	-	1,749,368
Transfers Out	-	(12,669,659)	(2,553,654)	(15,223,313)
Due to/from other Funds	-	4,034,673	1,132,242	5,166,915
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>259,148</u>	<u>(7,144,766)</u>	<u>(1,421,412)</u>	<u>(8,307,030)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(39,013)	(26,700)	(396,134)	(461,847)
Payment on Cost Shared Infrastructure Liability	(174,926)	-	-	(174,926)
Prepayment on Cost Shared Infrastructure Liability	(72,654)	-	-	(72,654)
Proceeds from Sale of Capital Assets	-	-	3,750	3,750
Proceeds from Capital Debt	-	12,058,222	-	12,058,222
Principal Payments on Long-Term Debt	(1,305,000)	(4,590,000)	(50,000)	(5,945,000)
Reimbursement from WAWSA for Debt Payments	1,302,500	-	-	1,302,500
Proceeds from Oil and Gas Royalties	172,756	-	-	172,756
Interest and Fiscal Charges on Debt	(433,331)	(2,322,635)	(2,138)	(2,758,104)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(549,668)</u>	<u>5,118,887</u>	<u>(444,522)</u>	<u>4,124,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	-	-	385	385
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>385</u>	<u>385</u>
Net Increase (Decrease) in Cash and Cash Equivalents	703,778	(2,431,938)	536,948	(1,191,212)
Cash and Cash Equivalents, January 1	<u>1,764,233</u>	<u>5,566,128</u>	<u>6,868,689</u>	<u>14,199,050</u>
Cash and Cash Equivalents, December 31	<u>\$ 2,468,011</u>	<u>\$ 3,134,190</u>	<u>\$ 7,405,637</u>	<u>\$ 13,007,838</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (3,604,182)	\$ (1,977,219)	\$ 907,229	\$ (4,674,172)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	3,357,826	1,515,417	1,212,502	6,085,745
Changes in Assets and Liabilities:				
Accounts Receivable	945,383	(40,940)	112,212	1,016,655
Inventory	10,640	(1,021)	-	9,619
Deferred Pension Outflows	(713,702)	(194,646)	(454,173)	(1,362,521)
Accounts Payable	32,977	8,632	(23,032)	18,577
Deposits Payable	(415)	(32)	-	(447)
Salaries and Benefits Payable	(9,812)	3,872	(593)	(6,533)
Compensated Absences	(21,717)	7,887	6,591	(7,239)
Net Pension Liability	1,008,333	275,000	641,666	1,924,999
Deferred Pension Inflows	(11,033)	(3,009)	(7,021)	(21,063)
Closure/Post Closure Costs	-	-	7,116	7,116
Net Cash Provided (Used) by Operating Activities	<u>\$ 994,298</u>	<u>\$ (406,059)</u>	<u>\$ 2,402,497</u>	<u>\$ 2,990,736</u>
Noncash Investing, Capital, and Financing Activities				
Contribution of Capital Assets from Capital Project Funds	\$ 2,518,378	\$ 12,337,331	\$ 1,759,336	\$ 16,615,045
Cost Shared Infrastructure Acquired with Deferred Inflows of Resources	216,892	-	-	216,892

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS
AS OF DECEMBER 31, 2017

	<u>Total</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 15,738
Intergovernmental Receivable	<u>74,629</u>
Total Current Assets	<u>\$ 90,367</u>
LIABILITIES	
Current Liabilities:	
Due to Other Agencies	\$ 90,367
Total Liabilities	<u>\$ 90,367</u>

See Notes to the Financial Statements

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2017

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 criterion 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.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

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.

2016 Refunding Bond – This fund accounts for the repayment of special assessment 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 and 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.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

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.

Budgets

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.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

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

- On or before September 10th of the preceding fiscal year, the City prepares a preliminary budget for the next succeeding year beginning January 1st. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 7th, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10th.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

Cash and Cash Equivalents

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.

Taxes Receivable

The taxes receivable represents the past two years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable. As of December 31, 2017, all accounts are considered collectible.

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

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

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

SPECIAL ASSESSMENTS RECEIVABLE

Special assessments receivable consists of uncollected special assessments due to the City at December 31, 2017 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, 2017, all accounts are considered collectible.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Other Assets

Other assets 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.

Intangible Assets

Intangible assets are recorded at historical cost less accumulated amortization. A portion of the intangible assets is charged against earnings each year as amortization expense. Amortization is computed on the straight-line basis, over the estimated useful life of the asset. The City entered into a service concession arrangement with neighboring water districts. Under GASB 60 – Service Concession Arrangements, the access and use payment plan associated with the agreement is capitalized at the present value. All intangible assets under the service concession arrangement are to be amortized over the remaining life of the agreement.

Capital Assets

Capital assets include plant and equipment, land, improvements other than buildings, and construction in progress. 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. Donated capital assets are recorded at estimated acquisition 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 asset 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:

Buildings	50 Years
Equipment	5-30 Years
Improvements other than buildings	50 Years

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The City has two items reported on the statement of net position. The first item, the *cost sharing defined benefit pension plan*, which represents actuarial differences within the North Dakota Employee Retirement System (NDPERS) pension plan as well as amounts paid to the plan after the measurement date. The second, the cost shared infrastructure, which represents payments on the cost shared infrastructure liability in excess of the required balance due.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. The governmental funds report unavailable revenues from property taxes and special assessments. These amounts are unavailable and recognized as an inflow of resources in the period that the amounts become available. The City also has two items reported on the statement of net position. The first item, the *cost sharing defined benefit pension plan*, which represents actuarial differences within the NDPERS pension plan. The second, the *Western Area Water Supply Authority* which represents the deferred inflows that result from a service concession arrangement. 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 2 days per month depending on tenure with the City. Fire department employees on 24 hour shifts earn 12-24 hours per month depending on the tenure with the City. Part-time employees working an established schedule of 20 or more hours per week are eligible for vacation benefits on a prorated basis. Full-time non-fire department employees can accrue up to a maximum of 30 days of vacation at year end. Fire department employees can accrue up to a maximum of 144 to 288 days of vacation at year end depending on tenure with the City. Upon termination of employment, full-time non-fire department employees will be paid for vacation benefits that have been accrued to a maximum of 30 days and fire department employees will be paid 144 to 288 days depending on tenure with the City.

For full-time non-fire department employees, sick leave benefits accrue at the rate of 1 day per month. For fire department employees on 24-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 prorated 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. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the period incurred.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

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 Balance

GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by law through constitutional provisions or enabling legislation.

Committed – consists of internally imposed constraints. These constraints are established by formal action of the 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 – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Commission. The City Commission has delegated authority to assign fund balance to the City Auditor.

Unassigned – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Pensions

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 LEGAL COMPLIANCE

Budget Amendments

The City's governing board did not amend the City budgets for the year ended December 31, 2017.

Fund Deficits

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

Special Assess-City Property	\$	285,352
Social Security Fund		65,936
Emergency Fund		47,625
Ambulance		958,036
911 Communications		17,616
Band		504
2004 Refunding		13,218
2006 Refunding		16,017
2015 Refunding		447,695
2016 Refunding		129,619
2017B TIF Rev Bond		88,588
2017 Refunding		1,583,704
2017 BND Certificate		135,222
		<u> </u>
	\$	<u>3,789,132</u>

The City will relieve the deficits with future sales tax, gas and oil tax, and special assessment collections, bond issuances or transfers from other funds.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

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 deposits within 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 December 31, 2017, the City's carrying amount of deposits was \$124,715,714 and the bank balance was \$125,923,640. The City's balances were fully collateralized as of December 31, 2017.

Credit Risk

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

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

As of December 31, 2017, the City's cash and cash equivalents include amounts in demand deposits, money market accounts, and highly liquid investments with an original maturity of three month 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:

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonmajor Governmental	Debt Service	\$ 10,032,288
Water Fund	Debt Service	1,629,375
Sewer Fund	Debt Service	3,134,190
Nonmajor Proprietary	Landfill Closure and Post-Closure Costs	554,466
		<u>\$ 15,350,319</u>

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts on open account from individuals for goods and services furnished by the City. The carrying amount of the accounts receivable is reduced by an amount that reflects management's best estimates of the amounts that will not be collected. The City had allowances for uncollectible accounts totaling \$943,863 for governmental activities accounts receivable and \$53,639 for business-type activities accounts receivable recorded at December 31, 2017.

NOTE 6 INTERGOVERNMENTAL RECEIVABLE

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

NOTE 7 CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended December 31, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Non-Depreciable:				
Land	\$ 13,149,546	\$ 900,655	\$ -	\$ 14,050,201
Construction in progress	75,005,790	34,739,607	38,170,999	71,574,398
Total Non-Depreciable:	<u>88,155,336</u>	<u>35,640,262</u>	<u>38,170,999</u>	<u>85,624,599</u>
Capital Assets, Depreciable:				
Buildings	21,155,434	6,861,080	-	28,016,514
Improvements other than buildings	1,645,449	156,205	-	1,801,654
Equipment	21,999,765	4,201,676	645,641	25,555,800
Infrastructure	133,233,689	33,618,062	-	166,851,751
Total Capital Assets, being depreciated	<u>178,034,337</u>	<u>44,837,023</u>	<u>645,641</u>	<u>222,225,719</u>
Less Accumulated Depreciation for:				
Buildings	5,819,058	479,118		6,298,176
Improvements other than buildings	643,409	51,332	-	694,741
Equipment	13,409,539	3,061,537	526,093	15,944,983
Infrastructure	20,415,161	2,901,674	-	23,316,835
Total Accumulated Depreciation	<u>40,287,167</u>	<u>6,493,661</u>	<u>526,093</u>	<u>46,254,735</u>
Total capital assets being depreciated, net	<u>137,747,170</u>	<u>38,343,362</u>	<u>119,548</u>	<u>175,970,984</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 225,902,506</u>	<u>\$ 73,983,624</u>	<u>\$ 38,290,547</u>	<u>\$ 261,595,583</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Business-type Activities</u>				
Capital Assets, Non-Depreciable:				
Land	\$ 457,470	\$ -	\$ -	\$ 457,470
Construction in Progress	<u>131,921,540</u>	<u>16,038,199</u>	<u>17,435,300</u>	<u>130,524,439</u>
Total Non-Depreciable	<u>132,379,010</u>	<u>16,038,199</u>	<u>17,435,300</u>	<u>130,981,909</u>
Capital Assets, Depreciable:				
Buildings	101,290,347	216,893	-	101,507,240
Improvements other than buildings	115,940,753	17,879,286	-	133,820,039
Equipment	<u>12,898,232</u>	<u>594,706</u>	<u>195,836</u>	<u>13,297,102</u>
Total Capital Assets, being depreciated	<u>230,129,332</u>	<u>18,690,885</u>	<u>195,836</u>	<u>248,624,381</u>
Less Accumulated Depreciation for:				
Buildings	12,183,358	2,025,807	-	14,209,165
Improvements other than buildings	16,850,410	2,491,514	-	19,341,924
Equipment	<u>8,772,880</u>	<u>1,358,990</u>	<u>195,836</u>	<u>9,936,034</u>
Total Accumulated Depreciation	<u>37,806,648</u>	<u>5,876,311</u>	<u>195,836</u>	<u>43,487,123</u>
Total capital assets being depreciated, net	<u>192,322,684</u>	<u>12,814,574</u>	<u>-</u>	<u>205,137,258</u>
Total Business-type Activities Capital Assets, Net	<u>\$ 324,701,694</u>	<u>\$ 28,852,773</u>	<u>\$ 17,435,300</u>	<u>\$ 336,119,167</u>

Depreciation expense was charged to Governmental functions as follows:

General Government	\$ 233,450
Public Safety	1,697,997
Public Works	3,448,827
Culture and Recreation	73,266
Public Services	<u>1,040,121</u>
Total Depreciation Expense	<u>\$ 6,493,661</u>

Depreciation expense was charged to Business Type functions as follows:

Water	\$ 3,148,392
Sewer	1,515,417
Landfill	525,455
Refuse	<u>687,047</u>
Total Depreciation Expense	<u>\$ 5,876,311</u>

As of December 31, 2017, the City had outstanding commitments of approximately \$6.2 million related to construction projects.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

NOTE 8 LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Balance 01/01/17	Debt Issued	Retirements 2017	Balance 12/31/17	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation	\$ 495,000	\$ -	\$ 155,000	\$ 340,000	\$ 165,000
Revenue Bonds	70,205,000	19,030,000	15,255,000	73,980,000	12,450,000
Bond Premiums	2,921,704	-	436,955	2,484,749	-
Bond Discounts	(451,984)	(173,512)	(23,505)	(601,991)	-
Net Pension Liability	10,108,861	14,040,928	5,701,903	18,447,886	-
Compensated Absences	1,367,100	833,074	709,870	1,490,304	686,100
Certificate of Indebtedness	-	25,000,000	3,944	24,996,056	-
Capital Lease	-	739,183	243,548	495,635	495,635
Special Assessment	<u>55,890,000</u>	<u>2,280,000</u>	<u>3,165,000</u>	<u>55,005,000</u>	<u>3,160,000</u>
Governmental Activities Long-Term Liabilities	<u>\$ 140,535,681</u>	<u>\$ 61,749,673</u>	<u>\$ 25,647,715</u>	<u>\$ 176,637,639</u>	<u>\$ 16,956,735</u>
<u>Business-Type Activities:</u>					
Revenue Bonds	\$ 104,630,371	\$ 12,058,223	\$ 5,945,000	\$ 110,743,594	\$ 5,342,365
WAWSA - Cost Shared Infrastructure	4,980,226	-	174,926	4,805,300	177,034
Net Pension Liability	2,343,800	3,241,239	1,316,240	4,268,799	-
Landfill Closure Costs	547,350	7,116	-	554,466	-
Compensated Absences	<u>323,877</u>	<u>227,786</u>	<u>235,025</u>	<u>316,638</u>	<u>199,700</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 112,825,624</u>	<u>\$ 15,534,364</u>	<u>\$ 7,671,191</u>	<u>\$ 120,688,797</u>	<u>\$ 5,719,099</u>

Compensated absences, capital lease payable, and net pension liability will be liquidated through the general fund.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Outstanding debt at December 31, 2017 (excluding compensated absences, landfill post closure liability, and net pension liability) consisted of the following issues:

	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/17	Amounts Due in 2018	
							Principal	Interest
Governmental Activities:								
General Obligation Bonds:								
Airport Revenue Bonds 2004A	2004	3.2-4.5%	2018/19	\$ 1,215,000	\$ 95,000	\$ 205,000	\$ 100,000	\$ 6,975
Airport Revenue Bonds 2004B	2004	2-.4.5%	2018/19	800,000	60,000	135,000	65,000	4,613
					<u>\$ 155,000</u>	<u>\$ 340,000</u>	<u>\$ 165,000</u>	<u>\$ 11,588</u>
Revenue Bond								
Sales Tax - 2011 B	2011	.75-3.0%	2018/20	10,000,000	\$ 1,225,000	\$ 4,390,000	\$ 1,250,000	\$ 117,210
Sales Tax - Series A	2013	3.0-4.0%	2018/20	42,440,000	5,510,000	20,640,000	5,715,000	740,150
Sales Tax - Series B-1	2013	2.65%	2018/20	5,250,000	-	1,435,000	-	64,395
Sales Tax - Series B-2	2013	2.65%	2018/20	750,000	-	210,000	-	9,275
Sales Tax - Series A	2015	4.0-5.0%	2018/25	24,530,000	1,870,000	20,865,000	1,945,000	937,950
Sales Tax - Series B	2015	3.10%	2018/25	20,000,000	6,110,000	7,950,000	2,915,000	210,578
Tax Increment Finance - Series A	2017	5.78%	2018/35	10,280,000	-	10,280,000	-	570,138
Tax Increment Finance - Series B	2017	5.42%	2018/28	8,750,000	540,000	8,210,000	625,000	382,790
					<u>\$ 15,255,000</u>	<u>\$ 73,980,000</u>	<u>\$ 12,450,000</u>	<u>\$ 3,032,486</u>
Special Assessments:								
	2003	1.5-4.0%	2018/18	695,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 800
	2004	3.1-4.5%	2018/19	830,000	55,000	105,000	55,000	3,488
	2006	3.625-4.0%	2018/22	440,000	30,000	180,000	30,000	6,600
	2006	3.55-4.1%	2018/21	855,000	45,000	180,000	45,000	6,435
	2007	3.6-4.15%	2018/22	1,020,000	75,000	250,000	50,000	9,250
	2009	2.5-4.0%	2018/24	2,580,000	175,000	1,145,000	170,000	39,658
	2010	1.0-4.1%	2018/30	1,900,000	110,000	1,210,000	105,000	40,128
	2010	1.0-3.75%	2018/25	740,000	55,000	400,000	55,000	13,013
	2012	1.0-3.0%	2018/32	5,795,000	320,000	4,205,000	305,000	99,700
	2014	2.0-5.0%	2018/33	4,490,000	255,000	3,730,000	255,000	136,825
	2014	1.0-4.0%	2018/34	15,075,000	800,000	13,025,000	800,000	413,205
	2015	3.0-3.5%	2018/35	9,645,000	370,000	8,905,000	370,000	280,381
	2016	1.0-5.0%	2018/36	20,185,000	835,000	19,350,000	835,000	659,875
	2017	4.00%	2018/37	2,280,000	-	2,280,000	45,000	71,542
					<u>\$ 3,165,000</u>	<u>\$ 55,005,000</u>	<u>\$ 3,160,000</u>	<u>\$ 1,780,900</u>
Certificate of Indebtedness								
Certificate of Indebtedness - Series 2017	2017	2.50%	2018/20	25,000,000	\$ 3,944	\$ 24,996,056	\$ -	\$ 797,207
					<u>\$ 3,944</u>	<u>\$ 24,996,056</u>	<u>\$ -</u>	<u>\$ 797,207</u>
Capital Lease								
EF Johnson Trucking - Kenwood Radios	2017	3.00%	2018/18	\$ 388,173	\$ 127,871	\$ 260,227	\$ 260,227	\$ 7,807
EF Johnson Trucking - Atlas TSNi	2017	3.00%	2018/18	351,010	115,677	235,408	235,408	7,062
					<u>\$ 243,548</u>	<u>\$ 495,635</u>	<u>\$ 495,635</u>	<u>\$ 14,869</u>
Business-Type Activities:								
Revenue Bond								
State Revolving Fund Loan	2014	2.00%	2018/37	\$ 95,585,371	\$ 4,460,000	\$ 98,833,594	\$ 3,867,365	\$ 1,976,672
Landfill	2002	2.8-5%	2017	580,000	50,000	-	-	-
Storm Sewer Improvement	2002	2.50%	2018/21	1,080,000	65,000	270,000	65,000	6,750
Water Storage Reservoir System	1999	2.50%	2018/21	3,748,977	220,000	950,000	230,000	23,750
Sewer Treatment Plant Improvement	2003	2.50%	2018/22	1,190,559	65,000	360,000	70,000	8,125
Water Treatment	2003	2.50%	2018/23	3,408,344	200,000	1,305,000	205,000	32,625
Water Treatment	2006	2.50%	2018/26	17,593,148	885,000	9,025,000	905,000	225,625
					<u>\$ 5,945,000</u>	<u>\$ 110,743,594</u>	<u>\$ 5,342,365</u>	<u>\$ 2,273,547</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

General Obligation Bonds

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.

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

Year Ending <u>December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 165,000	\$ 11,588
2019	<u>175,000</u>	<u>3,938</u>
Total	<u>\$ 340,000</u>	<u>\$ 15,525</u>

Revenue Bonds

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 to 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 infrastructure needs of the City. The bonds are payable through 2025.

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 production 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 production 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.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

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
2018	\$ 12,450,000	\$ 3,032,486	\$ 5,342,365	\$ 2,273,547	\$ 17,792,365	\$ 5,306,033
2019	9,870,000	2,644,720	5,474,683	2,159,325	15,344,683	4,804,045
2020	15,280,000	2,244,658	5,616,234	2,042,281	20,896,234	4,286,939
2021	2,880,000	1,732,863	5,752,784	1,922,144	8,632,784	3,655,007
2022	2,995,000	1,617,663	5,569,334	1,799,164	8,564,334	3,416,827
2023-2027	19,535,000	5,377,905	27,499,550	7,227,492	47,034,550	12,605,397
2028-2032	5,400,000	2,501,802	26,039,127	4,532,941	31,439,127	7,034,743
2033-2037	5,570,000	752,350	29,449,517	1,795,912	35,019,517	2,548,262
Total	<u>\$ 73,980,000</u>	<u>\$ 19,904,447</u>	<u>\$ 110,743,594</u>	<u>\$ 23,752,806</u>	<u>\$ 184,723,594</u>	<u>\$ 43,657,253</u>

Special Assessment

Special assessment debt was generally issued every three years, except annually in recent 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 special assessment bond issues are summarized below:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2018	\$ 3,160,000	\$ 1,780,900
2019	3,200,000	1,677,686
2020	3,185,000	1,560,151
2021	3,200,000	1,451,218
2022	3,175,000	1,350,376
2023-2027	14,680,000	5,244,533
2028-2032	15,325,000	2,636,121
2033-2037	9,080,000	563,419
Total	<u>\$ 55,005,000</u>	<u>\$ 16,264,404</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, 2017.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Certificate of Indebtedness

A Certificate of Indebtedness was issued in the current year, to provide funds for the cost of improvements on the new airport. The City plans to refinance prior to the certificate's maturity date. No refinancing has been secured as of the date of this report.

Debt service requirements to maturity on the Certificate of Indebtedness issued is summarized below:

Year Ending <u>December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ -	\$ 797,207
2019	-	797,207
2020	<u>24,996,056</u>	<u>664,339</u>
Total	<u>\$ 24,996,056</u>	<u>\$ 2,258,753</u>

Capital Lease Obligation

The City of Williston acquired Kenwood radio equipment under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the office equipment have been capitalized. The lease expires in 2018. The leased property under capital lease as of December 31, 2017 had a cost of \$352,510, accumulated amortization of \$11,589 and a net book value of \$340,921. Amortization of the leased property is included in depreciation expense.

The City of Williston also acquired Johnson Atlas radio equipment under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the office equipment have been capitalized. The lease expires in 2018. The leased property under capital lease as of December 31, 2017 had a cost of \$386,673, accumulated amortization of \$12,713 and a net book value of \$373,960. Amortization of the leased property is included in depreciation expense.

Debt service requirements to maturity on the Capital Lease Obligation issued is summarized below:

Year Ending <u>December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	<u>\$ 495,636</u>	<u>\$ 14,869</u>
Total	<u>\$ 495,636</u>	<u>\$ 14,869</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

NOTE 9 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, 2017, 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 \$56,879,624.

NOTE 10 CLOSURE AND POST CLOSURE 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 post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post closure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and post closure care costs has a balance of \$554,466 at December 31, 2017, which is based on usage (filled) of the landfill. The estimated total current cost of the landfill closure and post closure care 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, 2017. However, the actual cost of closure and post closure care may be higher due to inflation, changes to technology, or changes in landfill laws and regulations.

In 2017, the City increased the capacity of current cells one, two, three and four by making the cells higher and the sides steeper. This request was made due to the increased volume entering the landfill cells because of the increased activity in the area; and the cells under construction possibly not being completed before reaching capacity. Currently, collections have decreased from 300 tons to 100 tons per day. With the approval of the vertical change permit and the current reduced collections, the current cells are anticipated to reach capacity in three to five years, depending upon the volume received. The cells under construction are expected to be completed in mid 2018, well in advance of closure of the current cells.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

NOTE 11 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the City are required by state law to belong to pension plans administered by the North Dakota Public Employees Retirement System (NDPERS), which is administered on a statewide basis.

Disclosures relating to this plan follow:

North Dakota Public Employees' Retirement System

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service.

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Main System Plan members are required to contribute 7% and employers contribute 7.12% of covered compensation. Contribution rates for the Law Enforcement System are established as follows:

Plan	Member Contribution Rate	Employer Contribution Rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

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

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

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

At December 31, 2017, the City reported a liability of \$22,716,685 for its proportionate share of the net pension liability. The net pension liability consisted of \$20,327,606 to the Main System pension plan and \$2,389,079 to the Law Enforcement pension plan. The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of covered payroll in the Main System and Law Enforcement pension plan relative to the covered payroll of all participating Main System and Law Enforcement employers. At July 1, 2017, the City's proportion was 1.26% which was an increase of 0.12% for the Main System and 10.85% which was a decrease of 0.42% for the Law Enforcement plan.

For the year ended December 31, 2017, the City recognized pension expense of \$3,747,747 for the Main System plan and \$527,435 for the Law Enforcement plan. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the Main System Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 120,826	\$ 99,040
Changes in actuarial assumptions	8,335,690	458,481
Difference between projected and actual investment earnings	273,389	-
Changes in proportion	2,479,432	-
Contributions paid to NDPERS subsequent to the measurement date	570,341	-
Total	<u>\$ 11,779,678</u>	<u>\$ 557,521</u>

For the Main System plan, \$570,341 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018.

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

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2018	\$ 2,442,901
2019	2,818,025
2020	2,528,929
2021	1,929,789
2022	932,172

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

For the Law Enforcement Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 349,832	\$ 32,050
Changes in actuarial assumptions	1,277,477	62,156
Difference between projected and actual investment earnings	-	6,198
Changes in proportion	-	163,148
Contributions paid to NDPERS subsequent to the measurement date	259,569	-
Total	\$ 1,886,878	\$ 263,552

For the Law Enforcement plan, \$259,569 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018.

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

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2018	\$ 286,139
2019	327,958
2020	303,882
2021	248,672
2022	197,106

Actuarial Assumptions

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

Inflation	3.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%

*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (not set back for females) multiplied by 125%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.05%
International Equity	21.00%	6.70%
Private Equity	5.00%	10.20%
Domestic Fixed Income	17.00%	1.43%
International Fixed Inc.	5.00%	-0.45%
Global Real Assets	20.00%	5.16%
Cash Equivalents	1.00%	0.00%

Discount Rate

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

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

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Discount Rate (6.44%)	1% Increase (7.44%)
City's proportionate share of the Main System NDPERS net pension liability:	\$ 27,595,348	\$ 20,327,606	\$ 14,281,149

	1% Decrease (5.44%)	Discount Rate (6.44%)	1% Increase (7.44%)
City's proportionate share of the Law Enforcement NDPERS net pension liability:	\$ 3,595,131	\$ 2,389,079	\$ 1,407,831

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 12 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 ended December 31, 2017, 2016, and 2015 were \$30,444, \$34,229, and \$32,890, 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 13 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 \$5,365,200 for inland marine coverage.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

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.

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 a health insurance plan through Sanford Health 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 14 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2017 is as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 2,718,929
General Fund	2016 Refunding Bond	370,205
General Fund	Sewer Fund	5,166,915
General Fund	Water Fund	<u>1,000,000</u>
		<u>\$ 9,256,049</u>

One loan was made from the Equipment Reserve Fund to the General Fund 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, 2017 is \$212,170.

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

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 10,342,332	\$ 6,047,354
Sales Tax Fund	22,627,321	25,128,740
Capital Projects Fund	27,831,536	48,260,944
2016 Refunding Bond Fund	1,371,097	538,301
Water Fund	259,148	-
Sewer Fund	1,490,220	12,669,659
Nonmajor Funds	<u>49,523,467</u>	<u>20,800,123</u>
	<u>\$ 113,445,121</u>	<u>\$ 113,445,121</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

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.

NOTE 15 FUND BALANCE

A. Classifications

At December 31, 2017, a summary of the governmental fund balance classifications are as follows:

	<u>General</u>	<u>Sales Tax</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:					
Urban and economic development	\$ -	\$ 15,498,345	\$ -	\$ 4,779,407	\$ 20,277,752
General government	-	-	-	197	197
Culture and recreation	-	-	-	800,349	800,349
Public safety	-	-	-	7,709,733	7,709,733
Public works	242,332	-	-	-	242,332
Airport	3,636,333	-	-	-	3,636,333
Health and welfare	-	-	-	467,343	467,343
Capital projects	647,119	-	1,337,253	4,161,773	6,146,145
Debt service	-	-	-	37,790,977	37,790,977
Total Restricted	<u>\$ 4,525,784</u>	<u>\$ 15,498,345</u>	<u>\$ 1,337,253</u>	<u>\$ 55,709,779</u>	<u>\$ 77,071,161</u>

B. Minimum Fund Balance Policy

The City has not formally adopted a fund balance policy.

NOTE 16 JOINTLY GOVERNED ORGANIZATIONS

Western Area Water Supply Authority (WAWSA) was formed to own, finance, construct, and operate the Western Area Water Supply Project. The project is a comprehensive water supply project largely utilizing the 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 part of McKenzie, Williams, Divide, Burke, and Mountrail counties. The project is financed by a series of loans issued by the State of North Dakota. The City holds two of ten seats on the board of WAWSA.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

During 2012, the City entered into the following agreements with WAWSA:

Infrastructure Operating Agreement: Under this agreement, the City will be responsible for all repairs and maintenance of infrastructure owned by WAWSA as identified in the agreement. The City may also make approved capital expenditures with respect to the WAWSA infrastructure in accordance with an approved budget. The City will have the authority and responsibility for the general management and operation of the identified infrastructure, establishing and implementing purchasing and administrative policies, programs and other operational matters. Under the agreement, the City is entitled to reimbursement for costs identified in the agreement and in accordance with an approved budget. WAWSA will bear the risk of loss to the infrastructure. The agreement is in effect until the earlier of: (i) repayment of all WAWSA debt or ii) 99 years after the effective date of the agreement.

Access and Use Agreement: This agreement sets forth the terms and conditions on which the Member will permit WAWSA to access and use identified infrastructure owned by the City. This includes infrastructure identified under sub-agreements with the cities of Ray, Stanley, and Tioga. The City will be responsible for all repairs and maintenance of the access infrastructure identified in the agreement. The City will have the authority and responsibility for the general management and operation of the identified infrastructure, establishing and implementing purchasing and administrative policies, ensuring compliance with applicable legal requirements, budgeting and accounting procedures, programs and other operational matters. The City retains ownership of the infrastructure unless a purchase option is exercised. As consideration of this agreement, WAWSA will make payments equal to the amount of debt service requirements on the City's water revenue bonds. The City is also entitled to reimbursement for costs identified in the agreement and in accordance with an approved budget. The City bears the risk of loss to the infrastructure. The term of the agreement continues until the earlier of: (i) repayment of all WAWSA debt or ii) 99 years after the effective date of the agreement.

Water Supply Agreement: Under this agreement, the City commits to purchasing water from WAWSA. Subject to a minimum monthly quantity, peak instantaneous flow, and minimum pressure limitation set forth in the agreement, WAWSA agrees to provide, pump, transmit and deliver treated water to the City. The City will pay for the water using an agreed-upon base rate plus supplemental rate as outlined in the agreement, which is subject to change. This agreement is not effective until WAWSA's water supply is connected at identified delivery points. The agreement remains in effect until all of WAWSA's debt is repaid.

Output Agreement: This agreement sets forth the terms and conditions on which the City will sell to WAWSA the entire output of the plant. As consideration for the entire output of the treated water from the plant to WAWSA, WAWSA will make payments equal to the debt service paid by the City during the term, approved operation and maintenance costs, capital expenditure reimbursements, and baseline 2010 industrial water sales revenue. Effective March 15, 2018, the agreement was amended to remove the requirement for WAWSA to accrue baseline sales as they do not have sufficient free cash flows to make the payments. The amendment also discharges WAWSA requirement to pay past accrued amounts.

As part of the above agreements, all industrial water sales will be for the benefit of WAWSA. The City will be reimbursed an amount as outlined in the agreements based on their 2010 industrial water sales revenue. As of January 1, 2016, these payments have been suspended.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

During 2017, under the above agreements, the City received \$423,387 for sales of water to Western Area Water Supply Authority. Other reimbursements from WAWSA included principal debt payment reimbursements of \$1,305,000, interest and administrative fee reimbursements of \$374,288, operations and maintenance reimbursements of \$4,073,359 and capital expenditure reimbursements of \$216,891. The City also purchased water from WAWSA for a total of \$3,041,373.

The deferred inflow of resources from WAWSA consists of the following items for the year ended December 31, 2017:

Debt reimbursement receivable as of December 31	\$	11,388,750
Principal debt payment reimbursements		7,256,250
Accumulated capital expenditure reimbursements		56,934,797
Amortization		<u>(2,921,208)</u>
Deferred inflow of resources from WAWSA	\$	<u>72,658,589</u>

NOTE 17 COST SHARED INFRASTRUCTURE

During the year ended December 31, 2017, the City entered into an agreement with Western Area Water Supply Authority to facilitate the development of water distribution infrastructure within the City's borders. Under the agreement, the City agreed to re-pay a portion of the capital invested in the infrastructure over 20 to 30 years. In exchange, the City has the right to use the infrastructure installed over the period of the loan. As a result, upon entering into the agreement, the City recognized a right of use of \$5,026,400, and an offsetting liability on cost shared infrastructure for the same amount.

The right of use asset recognized under the agreement is being amortized over 20 to 30 years. The amortization expense recognized during the year ended December 31, 2017 was \$209,434. Accumulated amortization and net book value of this asset was \$376,980 and \$4,649,420, respectively, as of December 31, 2017.

The liability on the cost shared infrastructure is being repaid over 20 to 30 years at an interest rate of 1.50%. The liability requires varying monthly payments maturing January 2036 to September 2046. Expected future payments are as follows:

2018	\$	177,034
2019		181,273
2020		183,024
2021		187,313
2022		189,117
2023-2027		996,237
2028-2032		1,085,822
2033-2037		893,188
2038-2042		487,560
2043-2046		<u>424,732</u>
	\$	<u>4,805,300</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

NOTE 18 NEW PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measureable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on its financial statements.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF DECEMBER 31, 2017

NOTE 19 SUBSEQUENT EVENTS

No significant events occurred subsequent to the City's year end. Subsequent events have been evaluated through September 21, 2018, which is the date these financial statements were available to be issued.

CITY OF WILLISTON
SCHEDULE OF CITY'S CONTRIBUTIONS TO NDPERS RETIREMENT FUND
LAST TEN YEARS

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
Main System:					
2017	\$ 881,416	\$ 881,416	\$ -	\$ 12,379,445	7.12%
2016	582,181	582,181	-	8,176,703	7.12%
2015	742,926	742,926	-	10,434,350	7.12%
Law Enforcement:					
2017	\$ 431,106	\$ 431,106	\$ -	\$ 4,394,554	9.81%
2016	159,271	159,271	-	1,623,553	9.81%
2015	266,802	266,802	-	2,719,693	9.81%

The amounts presented for each fiscal year were determined as of the City's year end which is December 31.

The City implemented GASB Statement No. 68 for its year ended December 31, 2015. Information for the prior years is not available.

See Note to the Required Supplementary Information

CITY OF WILLISTON
SCHEDULE OF CITY'S AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS

Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Main System:					
2017	1.2647%	\$ 20,327,606	\$ 12,910,430	157.45%	61.98%
2016	1.1451%	11,160,944	11,540,763	96.71%	70.46%
2015	0.9433%	6,414,177	8,403,527	76.33%	77.15%
Law Enforcement:					
2017	10.8515%	\$ 2,389,079	\$ 3,121,498	76.54%	69.86%
2016	11.2730%	1,291,717	3,181,919	40.60%	78.73%
2015	15.1115%	918,100	2,079,158	44.16%	83.61%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous year.

The City implemented GASB Statement No. 68 for the year ended December 31, 2015. Information for the prior years is not available.

See Note to the Required Supplementary Information

CITY OF WILLISTON
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2017

NOTE 1. CHANGE OF ASSUMPTIONS – DEFINED BENEFIT PLAN

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

To the Honorable Mayor and
Members of the City Commission
City of Williston
Williston, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund, and the aggregate remaining fund information of the City of Williston as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Williston's basic financial statements and have issued our report thereon dated September 21, 2018 which was qualified as the City has not recorded capital assets and related depreciation for infrastructure contributed to the City from developers for the City's Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Aggregate Remaining Fund Information.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Williston'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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we consider the items 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

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

City of Williston's Response to Findings

The City of Williston's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Williston'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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 21, 2018



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and
Members of the City Commission
City of Williston
Williston, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Williston's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 21, 2018

CITY OF WILLISTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Identifying Number	Passed Through to Subrecipients	Federal Expenditures(\$)
<u>Department of Housing and Urban Development</u>				
Passed through North Dakota Division of Community Services				
Family Crisis Shelter	14.228	3997-CD15-PF	\$ 399,308	\$ 399,308
Total Department of Housing and Urban Development			<u>399,308</u>	<u>399,308</u>
<u>U.S. Department of Justice</u>				
Direct Program:				
Bulletproof Vest Partnership Program	16.607		-	1,636
Passed through North Dakota Department of Attorney General				
Missing Children's Assistance	16.543		-	7,499
Edward Byrne Memorial Justice Assistance	16.738	16208	9,490	9,490
Total United States Department of Justice			<u>9,490</u>	<u>18,625</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Airport Improvement Program	20.106		-	(97)
Airport Improvement Program	20.106		-	49,473
Airport Improvement Program	20.106		-	5,172,142
Airport Improvement Program	20.106		-	315,727
Airport Improvement Program	20.106		-	1,711,079
Airport Improvement Program	20.106		-	722,785
Airport Improvement Program	20.106		-	43,793
Airport Improvement Program	20.106		-	852,198
Total CFDA 20.106			<u>-</u>	<u>8,867,100</u>
Passed through North Dakota Department of Transportation				
Underage Drinking	20.616	HSPID1710-12-14	-	772
Underage Drinking	20.616	HSPID1810-12-14	-	1,395
Alcohol Enforcement & Impaired Driving	20.616	HSPID1710-02-22	-	2,236
Click it or Ticket	20.616	HSPOP1705-05-27	-	1,146
Click it or Ticket	20.616	HSPOP1805-05-19	-	777
Total Highway Safety Cluster			<u>-</u>	<u>6,326</u>
Total U.S. Department of Transportation			<u>-</u>	<u>8,873,426</u>
<u>U.S. Environmental Protection Agency</u>				
Passed through North Dakota Department of Health				
Capitalization Grants for Clean Water				
State Revolving Funds - Clean Water				
State Revolving Fund Cluster	66.458	380820-04	-	12,058,222
Total U.S. Environmental Protection Agency			<u>-</u>	<u>12,058,222</u>
<u>U.S. Department of Homeland Security</u>				
Passed through North Dakota Department of Emergency Services				
Homeland Security Grant Program	97.067	A0647-001-2016-RT	-	43,945
Homeland Security Grant Program	97.067	A0647-001-2015-RQ	-	20,742
Homeland Security Grant Program	97.067	A0647-001-2015-RT	-	4,840
Total U.S. Department of Homeland Security			<u>-</u>	<u>69,527</u>
Total Expenditures of Federal Awards			<u>\$ 408,798</u>	<u>\$ 21,419,108</u>

See Notes to the Schedule of Expenditures of Federal Awards

CITY OF WILLISTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF DECEMBER 31, 2017

NOTE 1 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The City received federal awards both directly from federal agencies and indirectly through pass-through entities.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Government*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to requirement. The City of Williston has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 SUBRECIPIENTS

During 2017, the City passed federal money to Tri County of \$399,308 and Family Crisis \$9,490.

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF DECEMBER 31, 2017

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	
Governmental Activities	<u>Qualified</u>
Business-Type Activities	<u>Qualified</u>
General Fund	<u>Unmodified</u>
Sales Tax Fund	<u>Unmodified</u>
Capital Projects	<u>Unmodified</u>
2016 Refunding Bond	<u>Unmodified</u>
Water Fund	<u>Qualified</u>
Sewer Fund	<u>Qualified</u>
Aggregate Remaining Fund Information	<u>Qualified</u>

Internal control over financial reporting:

Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Grant
14.228	Family Crisis Shelter

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2017

Section II – Financial Statement Findings

2017-001

Criteria

A good system of internal accounting control includes the proper recording of all transactions in accordance with generally accepted accounting principles, proper reconcilements 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. 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.

Repeat Finding

This is a repeat finding from the immediate previous audit, 2016-001.

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.

Views of Responsible Officials and Planned Corrective Actions

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. It should be noted, the City has been dealing with activity volumes uncommon to a city of its size. Management has reached out to developers for information to record contributed infrastructure, however, developers are reluctant to share this information since it could be made available to competitors. The City will consider another approach, such as an estimation of cost.

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2017

2017-002

Criteria

The City does not have the internal resources to prepare the full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Commission. However, the City does not have internal resources to prepare full-disclosure financial statements required by GAAP for external reporting. The City is aware of this material weakness, and obtains the auditor's assistance in the preparation of the City's annual financial statements.

Cause

The City does not have the internal resources including the time necessary to handle all aspects of the external financial reporting.

Effect

The City's management is aware of the weakness and addresses it by reviewing and approving completed statements prior to distribution to the end users.

Repeat Finding

This is a repeat finding from the immediate previous audit, 2016-002.

Recommendation

For entities of the City's size, it generally is not practical to obtain the internal resources needed to handle all aspects of the external financial reporting.

Views of Responsible Officials and Planned Corrective Actions

Management will continue to review the possible staff involvement in the process, although unlikely. The City does have qualified staff that could accomplish this, if a way could be found to reassign personnel.

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2017

Section III – Federal Award Findings and Questioned Costs

No findings reported.

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AS OF DECEMBER 31, 2017

2016-001

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. 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.

2016-002

Criteria

The City does not have the internal resources to prepare the full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Commission. However, the City does not have internal resources to prepare full-disclosure financial statements required by GAAP for external reporting. The City is aware of this material weakness, and obtains the auditor's assistance in the preparation of the City's annual financial statements.

Cause

The City does not have the internal resources including the time necessary to handle all aspects of the external financial reporting.

Effect

The City's management is aware of the weakness and addresses it by reviewing and approving completed statements prior to distribution to the end users.

Recommendation

For entities of the City's size, it generally is not practical to obtain the internal resources needed to handle all aspects of the external financial reporting.



**CORRECTIVE ACTION PLAN
AS OF DECEMBER 31, 2017**

2017-001 FINDING

Contact Person – John Kautzman, City Auditor

Corrective Action Plan – 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.

Completion Date – Ongoing.

2017-002 FINDING

Contact Person – John Kautzman, City Auditor

Corrective Action Plan – Management will continue to review the possible staff involvement in the process, although unlikely.

Completion Date – Ongoing.