

# North Dakota Office of the State Auditor Division of Local Government

## City of Williston

Audit Report for the Year Ended December 31, 2018  
Client Code PS53100



North Dakota State Auditor  
Joshua C. Gallion

# CITY OF WILLISTON

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For the Year Ended December 31, 2018

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# **CITY OF WILLISTON**

City Officials and Audit Personnel

December 31, 2018

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## **CITY OFFICIALS**

Howard Klug  
Brad Bekkedahl  
Tate Cymbaluk  
Deanette Piesik  
Chris Brostuen

President/Mayor  
Vice President  
City Commissioner  
City Commissioner  
City Commissioner

John Kautzman  
David Tuan

City Auditor  
City Administrator

## **AUDIT PERSONNEL**

Craig Hashbarger, CPA, CIA, CFE  
Heath Erickson, CPA

Audit Manager  
Audit In-Charge

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
1655 43<sup>RD</sup> STREET SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

**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, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City of Williston’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. 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 qualified and unmodified audit opinions.

***Summary of Opinions***

<b><i>Opinion Unit</i></b>	<b><i>Type of Opinion</i></b>
Governmental Activities	Qualified
Business-Type Activities	Qualified
Water Fund	Qualified
Sewer Fund	Qualified
General Fund	Unmodified
Sales Tax Fund	Unmodified
Capital Projects Fund	Unmodified
Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

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

The City of Williston has not recorded capital assets and related depreciation for infrastructure contributed to it from developers. Accounting principles generally accepted in the United States of America (GAAP) require 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.

The City of Williston has not disclosed conduit debt balances as of December 31, 2018. The Governmental Accounting Standards Board (GASB) requires the City to disclose the aggregate amount of all conduit debt obligations outstanding at the balance sheet date. The amount by which this departure would affect the notes to the financial statements 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 matters 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, 2018, 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 Fund, Sales Tax Fund, Capital Project Fund, and Debt Service Fund of the City of Williston, as of December 31, 2018, 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.

***Emphasis of a Matter***

The City of Williston provided additional facts to the auditor subsequent to the issuance of the report dated October 25, 2019. The facts provided changed the determination that the City of Williston entered into a joint venture. Also, the missing commitment balance relating to CG Williston, LLC was obtained. The qualifications for non-disclosure of a joint venture and the missing consulting commitment balance were removed. This did not impact the financial statements or the opinion on any opinion unit.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *schedule of City's share of net pension liability and contributions, and schedule of the City's share of net OPEB liability and contributions, and notes to the required supplementary information*, 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.

**CITY OF WILLISTON**

Independent Auditor's Report - Continued

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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 and notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and notes to 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 and notes to the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019 on our consideration of 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Williston's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor  
Fargo, North Dakota  
November 5, 2019

# CITY OF WILLISTON

## Statement of Net Position

December 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash, Cash Equivalents, and Investments	\$ 97,652,017	\$ 6,425,554	\$ 104,077,571
Accounts Receivable, Net	2,162,345	1,575,084	3,737,429
Receivable from WAWSA	-	10,051,666	10,051,666
Intergovernmental Receivable, Net	40,669,862	-	40,669,862
Taxes Receivable	188,265	-	188,265
Special Assessments Receivable	47,471,156	-	47,471,156
Internal Balances	1,000,000	(1,000,000)	-
Inventory	-	415,530	415,530
Restricted Cash and Cash Equivalents	7,985,788	11,034,424	19,020,212
Other Assets	1,891,147	-	1,891,147
Cost Shared Infrastructure, Net	-	5,556,731	5,556,731
Capital Assets			
Nondepreciable	150,018,298	12,711,679	162,729,977
Depreciable, Net	185,493,466	323,315,661	508,809,127
<b>Total Assets</b>	<b>\$ 534,532,344</b>	<b>\$ 370,086,329</b>	<b>\$ 904,618,673</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Derived from Pensions & OPEB	\$ 11,549,280	\$ 1,734,597	\$ 13,283,877
Cost Shared Infrastructure	-	362,640	362,640
<b>Total Deferred Outflows of Resources</b>	<b>\$ 11,549,280</b>	<b>\$ 2,097,237</b>	<b>\$ 13,646,517</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 11,239,239	\$ 742,959	\$ 11,982,198
Escrow Payable	35,000	-	35,000
Retainage Payable	3,899,207	-	3,899,207
Salaries and Benefits Payable	847,665	183,182	1,030,847
Deposits Payable	-	57,458	57,458
Grant Payable	50,000	-	50,000
Accrued Interest Payable	870,839	743,088	1,613,927
Long Term Liabilities			
Due Within One Year			
Long Term Debt	10,026,561	6,195,000	16,221,561
Compensated Absences	168,574	127,775	296,349
Liability for Cost Shared Infrastructure	-	267,610	267,610
Due After One Year			
Long Term Debt	170,280,000	102,623,405	272,903,405
Compensated Absences	1,517,165	193,375	1,710,540
Liability for Cost Shared Infrastructure	-	5,563,305	5,563,305
Net Pension & OPEB Liability	20,020,347	3,518,830	23,539,177
Accrued Closure and Post-Closure Liability	-	1,185,462	1,185,462
<b>Total Liabilities</b>	<b>\$ 218,954,597</b>	<b>\$ 121,401,449</b>	<b>\$ 340,356,046</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Derived from Pensions & OPEB	\$ 2,641,419	\$ 508,484	\$ 3,149,903
Wester Area Water Supply Authority	-	73,150,844	73,150,844
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,641,419</b>	<b>\$ 73,659,328</b>	<b>\$ 76,300,747</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 151,305,996	\$ 141,709,052	\$ 293,015,048
Restricted			
Urban and Economic Development	19,422,058	-	19,422,058
Culture and Recreation	676,128	-	676,128
Public Works	20,733,874	-	20,733,874
Airport	21,592,203	-	21,592,203
Public Safety	3,429,280	-	3,429,280
Health and Welfare	443,116	-	443,116
Capital Projects	6,432,714	-	6,432,714
Debt Service	77,466,010	6,253,785	83,719,795
Unrestricted	23,008,797	29,159,952	52,168,749
<b>Total Net Position</b>	<b>\$ 324,485,608</b>	<b>\$ 177,122,789</b>	<b>\$ 501,608,397</b>

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

# CITY OF WILLISTON

## Statement of Activities

For the Year Ended December 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General Government	\$ 9,186,557	\$ 1,419,905	\$ 790,641	\$ -	\$ (6,976,011)		\$ (6,976,011)
Public Safety	20,607,727	3,898,791	707,060	-	(16,001,876)		(16,001,876)
Public Works	21,976,527	9,800	2,159,570	4,397,935	(15,409,222)		(15,409,222)
Health and Welfare	15,645	-	-	-	(15,645)		(15,645)
Culture and Recreation	12,563,312	24,892	105,744	-	(12,432,676)		(12,432,676)
Economic Development	2,129,707	148,557	4,834	-	(1,976,316)		(1,976,316)
Airport	2,868,793	1,784,386	-	45,863,965	44,779,558		44,779,558
Interest & Fees on Long-Term Debt	6,324,614	-	-	-	(6,324,614)		(6,324,614)
<b>Total Governmental Activities</b>	<b>\$ 75,672,882</b>	<b>\$ 7,286,331</b>	<b>\$ 3,767,849</b>	<b>\$ 50,261,900</b>	<b>\$ (14,356,802)</b>		<b>\$ (14,356,802)</b>
<b>Business-Type Activities</b>							
Water Operations	\$ 11,673,793	\$ 9,352,223	\$ -	\$ 839,564	\$ -	\$ (1,482,006)	\$ (1,482,006)
Sanitary Sewer Operations	8,653,135	1,389,628	-	-	-	(7,263,507)	(7,263,507)
Garbage & Other Enterprise	4,759,044	5,011,382	-	-	-	252,338	252,338
<b>Total Business-Type Activities</b>	<b>\$ 25,085,972</b>	<b>\$ 15,753,233</b>	<b>\$ -</b>	<b>\$ 839,564</b>	<b>\$ -</b>	<b>\$ (8,493,175)</b>	<b>\$ (8,493,175)</b>
<b>Total Primary Government</b>	<b>\$100,758,854</b>	<b>\$ 23,039,564</b>	<b>\$ 3,767,849</b>	<b>\$ 51,101,464</b>	<b>\$ (14,356,802)</b>	<b>\$ (8,493,175)</b>	<b>\$ (22,849,977)</b>
<b>General Revenues</b>							
Taxes							
Property Taxes					\$ 7,196,614	\$ -	\$ 7,196,614
Other Taxes					70,572,343	-	70,572,343
Unrestricted grants & contributions					1,406,793	-	1,406,793
Unrestricted Investment Earnings					225,553		225,553
Oil and Gas Royalties					3,039,189	435,924	3,475,113
Refunds and Reimbursements					627,558	-	627,558
Miscellaneous					1,364,829	69,020	1,433,849
Gain (Loss) on Capital Assets					(143,154)	-	(143,154)
Transfers					(15,597,348)	15,597,348	-
<b>Total General Revenues and Transfers</b>					<b>\$ 68,692,377</b>	<b>\$ 16,102,292</b>	<b>\$ 84,794,669</b>
<b>Change in Net Position</b>					<b>\$ 54,335,575</b>	<b>\$ 7,609,117</b>	<b>\$ 61,944,692</b>
<b>Net Position - January 1</b>					<b>\$ 270,985,581</b>	<b>\$ 169,710,354</b>	<b>\$440,695,935</b>
<b>Prior Period Adjustments</b>					<b>\$ (835,548)</b>	<b>\$ (196,682)</b>	<b>\$ (1,032,230)</b>
<b>Net Position - January 1, as restated</b>					<b>\$ 270,150,033</b>	<b>\$ 169,513,672</b>	<b>\$439,663,705</b>
<b>Net Position - December 31</b>					<b>\$ 324,485,608</b>	<b>\$ 177,122,789</b>	<b>\$501,608,397</b>

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



# CITY OF WILLISTON

Balance Sheet – Governmental Funds  
December 31, 2018

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Sales Tax	Capital Projects	Debt Service		
<b>ASSETS</b>						
Cash, Cash Equivalents, & Investments	\$ 44,543,688	\$ 12,861,946	\$ -	\$ 11,432,087	\$ 28,814,296	\$ 97,652,017
Accounts Receivable, Net	1,064,114	-	214,683	-	883,548	2,162,345
Intergovernmental Receivable, Net	2,781,331	1,679,083	34,434,038	-	1,775,410	40,669,862
Taxes Receivable	172,891	-	-	-	15,374	188,265
Special Assessments Receivable	6,039	-	113,105	47,352,012	-	47,471,156
Due from Other Funds	36,019,456	-	-	-	-	36,019,456
Interfund Loans Receivable	-	-	-	-	197,235	197,235
Restricted Cash and Investments	-	-	-	7,985,788	-	7,985,788
Other Assets	-	-	-	166,147	1,725,000	1,891,147
<b>Total Assets</b>	<b>\$ 84,587,519</b>	<b>\$ 14,541,029</b>	<b>\$ 34,761,826</b>	<b>\$ 66,936,034</b>	<b>\$ 33,410,863</b>	<b>\$ 234,237,271</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 812,988	\$ 1,500	\$ 9,880,508	\$ -	\$ 544,243	\$ 11,239,239
Escrow Payable	35,000	-	-	-	-	35,000
Retainage Payable	-	-	3,899,207	-	-	3,899,207
Salaries and Benefits Payable	662,397	-	-	-	185,268	847,665
Due to Other Funds	-	-	35,019,456	-	-	35,019,456
Interfund Loans Payable	197,235	-	-	-	-	197,235
Grants Payable	-	-	-	-	50,000	50,000
<b>Total Liabilities</b>	<b>\$ 1,707,620</b>	<b>\$ 1,500</b>	<b>\$ 48,799,171</b>	<b>\$ -</b>	<b>\$ 779,511</b>	<b>\$ 51,287,802</b>
<b>Deferred Inflows of Resources</b>						
Taxes Receivable	\$ 143,192	\$ -	\$ -	\$ -	\$ 13,262	\$ 156,454
Special Assessments Receivable	6,039	-	113,105	46,282,597	-	46,401,741
<b>Total Deferred Inflows of Resources</b>	<b>\$ 149,231</b>	<b>\$ -</b>	<b>\$ 113,105</b>	<b>\$ 46,282,597</b>	<b>\$ 13,262</b>	<b>\$ 46,558,195</b>
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>\$ 1,856,851</b>	<b>\$ 1,500</b>	<b>\$ 48,912,276</b>	<b>\$ 46,282,597</b>	<b>\$ 792,773</b>	<b>\$ 97,845,997</b>
<b>Fund Balances</b>						
<b>Non-Spendable</b>						
Loans Receivable	\$ -	\$ -	\$ -	\$ -	\$ 197,235	\$ 197,235
<b>Restricted</b>						
Sales Tax Funds/Economic Development	-	14,539,529	-	-	4,882,529	19,422,058
Other/General Government	-	-	-	-	197	197
Culture & Recreation	-	-	-	-	950,764	950,764
Public Works	18,568,550	-	-	-	384,633	18,953,183
Airport	22,261,319	-	-	-	-	22,261,319
Public Safety	-	-	-	-	11,598,805	11,598,805
Health and Welfare	-	-	-	-	443,116	443,116
Capital Project Funds	653,921	-	-	-	5,468,453	6,122,374
Debt Service	-	-	-	20,653,437	11,400,815	32,054,252
<b>Unassigned</b>						
General Fund	41,271,333	-	-	-	-	41,271,333
Negative Fund Balances	(24,455)	-	(14,150,450)	-	(2,708,457)	(16,883,362)
<b>Total Fund Balances</b>	<b>\$ 82,730,668</b>	<b>\$ 14,539,529</b>	<b>\$ (14,150,450)</b>	<b>\$ 20,653,437</b>	<b>\$ 32,618,090</b>	<b>\$ 136,391,274</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 84,587,519</b>	<b>\$ 14,541,029</b>	<b>\$ 34,761,826</b>	<b>\$ 66,936,034</b>	<b>\$ 33,410,863</b>	<b>\$ 234,237,271</b>

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

# CITY OF WILLISTON

## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position December 31, 2018

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<b>Total Fund Balances of Governmental Funds</b>			\$ 136,391,274
Total <i>Net Position</i> reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.			
			335,511,764
Property taxes & special assessments receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows in the funds.			
Taxes Receivable	\$	156,454	
Special Assessments Receivable		<u>46,401,741</u>	46,558,195
Deferred outflows and inflows of resources related to pensions & OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.			
Pension & OPEB Deferred Inflows of Resources	\$	(2,641,419)	
Pension & OPEB Deferred Outflows of Resources		<u>11,549,280</u>	8,907,861
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term are reported in the statement of net position.			
Long Term Debt	\$	(180,306,561)	
Net Pension and OPEB Liability		(20,020,347)	
Compensated Absences Payable		<u>(1,685,739)</u>	<u>(202,883,486)</u>
<b>Total Net Position - Governmental Activities</b>			<u>\$ 324,485,608</u>

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

# CITY OF WILLISTON

## Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Year Ended December 31, 2018

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Sales Tax	Capital Projects	Debt Service		
<b>REVENUES</b>						
Taxes	\$ 35,373,118	\$ 23,182,574	\$ -	\$ -	\$ 19,305,532	\$ 77,861,224
Special Assessments	-	-	35,722	4,163,817	-	4,199,539
Licenses, Permits, and Fees	576,232	-	-	-	-	576,232
Intergovernmental	3,223,674	-	45,903,865	-	1,911,068	51,038,607
Charges for Services	1,812,428	-	-	-	3,921,003	5,733,431
Fines, Forfeitures, and Penalties	961,213	-	-	-	15,456	976,669
Interest	113,853	31,129	4,561	27,404	48,606	225,553
Oil and Gas Royalties	3,039,189	-	-	-	-	3,039,189
Refunds and Reimbursements	627,558	-	-	-	-	627,558
Miscellaneous	377,625	274,337	225,546	-	487,321	1,364,829
<b>Total Revenues</b>	<b>\$ 46,104,890</b>	<b>\$ 23,488,040</b>	<b>\$ 46,169,694</b>	<b>\$ 4,191,221</b>	<b>\$ 25,688,986</b>	<b>\$ 145,642,831</b>
<b>EXPENDITURES</b>						
Current						
General Government	\$ 8,158,474	\$ -	\$ -	\$ -	\$ 598,642	\$ 8,757,116
Public Safety	10,875,632	-	-	-	5,773,629	16,649,261
Public Works	6,025,209	-	-	-	867,313	6,892,522
Culture and Recreation	-	11,850,606	-	-	620,412	12,471,018
Economic Development	491,903	-	-	-	1,637,804	2,129,707
Airport	1,763,811	-	-	-	-	1,763,811
Capital Outlay	-	322,945	97,587,144	-	-	97,910,089
Debt Service						
Principal	10,306,457	3,683,407	792,856	25,534,974	702,191	41,019,885
Interest and Fees	99,627	30,452	12,221	5,882,332	25,368	6,050,000
Issuance Costs	551,807	-	282,048	-	-	833,855
<b>Total Expenditures</b>	<b>\$ 38,272,920</b>	<b>\$ 15,887,410</b>	<b>\$ 98,674,269</b>	<b>\$ 31,417,306</b>	<b>\$ 10,225,359</b>	<b>\$ 194,477,264</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,831,970	\$ 7,600,630	\$ (52,504,575)	\$ (27,226,085)	\$ 15,463,627	\$ (48,834,433)
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt Issued	\$ 27,485,000	\$ -	\$ 36,010,000	\$ -	\$ -	\$ 63,495,000
Bond Premium	1,095,754	-	293,856	-	-	1,389,610
Transfers In	2,456,205	-	6,169,058	22,068,025	1,618,535	32,311,823
Transfers Out	(17,512,639)	(8,559,446)	(5,456,042)	(463,430)	(10,269,655)	(42,261,212)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 13,524,320</b>	<b>\$ (8,559,446)</b>	<b>\$ 37,016,872</b>	<b>\$ 21,604,595</b>	<b>\$ (8,651,120)</b>	<b>\$ 54,935,221</b>
<b>Net Change in Fund Balances</b>	<b>\$ 21,356,290</b>	<b>\$ (958,816)</b>	<b>\$ (15,487,703)</b>	<b>\$ (5,621,490)</b>	<b>\$ 6,812,507</b>	<b>\$ 6,100,788</b>
Fund Balances - January 1	\$ 61,374,378	\$ 15,498,345	\$ 1,337,253	\$ 26,274,927	\$ 25,805,583	\$ 130,290,486
Fund Balances - December 31	\$ 82,730,668	\$ 14,539,529	\$ (14,150,450)	\$ 20,653,437	\$ 32,618,090	\$ 136,391,274

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

# CITY OF WILLISTON

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Year Ended December 31, 2018

**Net Change in *Fund Balances* - Total Governmental Funds** \$ 6,100,788

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 81,268,828	
Depreciation Expense	<u>(7,209,493)</u>	74,059,335

In the statement of activities, the gain and loss on sales or disposals of capital assets is recognized. The fund financial statements recognize only the proceeds from these sales.

(143,154)

Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net position. Proceeds from long-term debt provides financial resources to the governmental funds, but increases long-term liabilities in the statement of net position.

Repayment of Debt	\$ 41,019,885	
Debt Proceeds	(63,495,000)	
Bond Premium	(1,389,610)	
Amortization of Bond Premium and Discounts	<u>257,613</u>	(23,607,112)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Change in Compensated Absences	\$ (195,435)	
Net Change in Interest Payable	<u>301,628</u>	106,193

The net pension & OPEB liability, and related deferred outflows of resources and deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Change in Net Pension & OPEB Liability	\$ (623,607)	
Change in Deferred Inflows of Resources for pensions & OPEB	(1,878,408)	
Change in Deferred Outflows of Resources for pensions & OPEB	<u>215,411</u>	(2,286,604)

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

Net Change in Taxes Receivable	\$ (92,267)	
Net Change in Special Assessments Receivable	<u>198,396</u>	<u>106,129</u>

**Change in Net Position of Governmental Activities** \$ 54,335,575

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

**CITY OF WILLISTON**

Statement of Revenues, Expenditures and Changes in Fund Balance – Budgetary to Actual – General Fund  
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 27,507,000	\$ 27,507,000	\$ 4,622,741	\$ (22,884,259)
Licenses, Permits, and Fees	605,850	605,850	571,882	(33,968)
Intergovernmental	3,054,800	3,054,800	3,198,532	143,732
Charges for Services	13,300	13,300	14,446	1,146
Fines, Forfeitures, and Penalties	1,027,000	1,027,000	940,373	(86,627)
Interest	10,000	10,000	89,529	79,529
Refunds and Reimbursements	200,000	200,000	627,558	427,558
Miscellaneous	150,000	150,000	299,372	149,372
<b>Total Revenues</b>	<b>32,567,950</b>	<b>32,567,950</b>	<b>10,364,433</b>	<b>(22,203,517)</b>
<b>EXPENDITURES</b>				
Current				
General Government	\$ 4,908,101	4,908,101	\$ 7,757,350	(2,849,249)
Public Safety	12,119,523	12,119,523	10,782,488	1,337,035
Public Works	7,181,051	7,181,051	6,025,209	1,155,842
Economic Development	923,644	923,644	491,903	431,741
<b>Total Expenditures</b>	<b>\$ 25,132,319</b>	<b>\$ 25,132,319</b>	<b>\$ 25,056,950</b>	<b>\$ 75,369</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,435,631	\$ 7,435,631	\$ (14,692,517)	\$ (22,278,886)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 3,021,000	\$ 3,021,000	\$ 1,399,320	\$ (1,621,680)
Transfers Out	-	-	(2,707,883)	(2,707,883)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 3,021,000</b>	<b>\$ 3,021,000</b>	<b>\$ (1,308,563)</b>	<b>\$ (4,329,563)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 10,456,631</b>	<b>\$ 10,456,631</b>	<b>\$ (16,001,080)</b>	<b>\$ (26,608,449)</b>
Fund Balance - January 1	\$ 1,148,284	\$ 1,148,284	\$ 57,272,415	\$ 56,124,131
Fund Balance - December 31	\$ 11,604,915	\$ 11,604,915	\$ 41,271,335	\$ 29,515,682
General Fund in Addition to Fund 100				
General Fund			\$ 41,271,335	
Planning Study			(24,455)	
Parking Authority			172,967	
Airport			22,261,317	
City Building			653,921	
Gross Production Tax - Oil & Gas			18,395,583	
<b>Total General Fund</b>			<b>\$ 82,730,668</b>	

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

**CITY OF WILLISTON**

Statement of Revenues, Expenditures and Changes in Fund Balance – Budgetary to Actual – Sales Tax Fund  
 For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 14,493,750	\$ 14,493,750	\$ 23,182,574	\$ 8,688,824
Interest	-	-	31,129	31,129
Miscellaneous	-	-	274,337	274,337
<b>Total Revenues</b>	<b>14,493,750</b>	<b>14,493,750</b>	<b>23,488,040</b>	<b>8,994,290</b>
<b>EXPENDITURES</b>				
Current				
Culture and Recreation	\$ 15,000,000	\$ 15,000,000	\$ 11,850,606	\$ 3,149,394
Capital Outlay	-	-	322,945	(322,945)
Debt Service				
Principal	-	-	3,683,407	(3,683,407)
Interest and Fees	-	-	30,452	(30,452)
<b>Total Expenditures</b>	<b>\$ 15,000,000</b>	<b>\$ 15,000,000</b>	<b>\$ 15,887,410</b>	<b>\$ (887,410)</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (506,250)	\$ (506,250)	\$ 7,600,630	\$ 9,881,700
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	\$ -	\$ -	\$ (8,559,446)	\$ (8,559,446)
<b>Net Change in Fund Balances</b>	<b>\$ (506,250)</b>	<b>\$ (506,250)</b>	<b>\$ (958,816)</b>	<b>\$ 1,322,254</b>
Fund Balance - January 1	\$ 1,148,284	\$ 1,148,284	\$ 15,498,345	\$ 14,350,061
Fund Balance - December 31	\$ 642,034	\$ 642,034	\$ 14,539,529	\$ 15,672,315

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

# CITY OF WILLISTON

Statement of Net Position – Proprietary Funds  
December 31, 2018

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Non-Major	Total
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 1,194,161	\$ -	\$ 5,231,393	\$ 6,425,554
Accounts Receivable, Net	652,205	158,379	764,500	1,575,084
Due from Other Funds	-	-	299,997	299,997
Receivable from WAWSA	1,486,666	-	-	1,486,666
Inventory	396,487	19,043	-	415,530
<b>Total Current Assets</b>	<b>\$ 3,729,519</b>	<b>\$ 177,422</b>	<b>\$ 6,295,890</b>	<b>\$ 10,202,831</b>
Noncurrent Assets				
Restricted Cash and Cash Equivalents	\$ 3,561,556	\$ 4,624,410	\$ 2,848,458	11,034,424
Receivable from WAWSA	8,565,000	-	-	8,565,000
Cost Shared Infrastructure	5,556,731	-	-	5,556,731
Capital Assets				
Nondepreciable	4,163,755	3,122,276	5,425,648	12,711,679
Depreciable, Net	134,351,572	183,132,304	5,831,785	323,315,661
<b>Total Non-Current Assets</b>	<b>\$ 156,198,614</b>	<b>\$ 190,878,990</b>	<b>\$ 14,105,891</b>	<b>\$ 361,183,495</b>
<b>Total Assets</b>	<b>\$ 159,928,133</b>	<b>\$ 191,056,412</b>	<b>\$ 20,401,781</b>	<b>\$ 371,386,326</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Cost Sharing Defined Benefit Pension Plan	\$ 658,711	\$ 357,056	\$ 718,830	\$ 1,734,597
Cost Shared Infrastructure	362,640	-	-	362,640
<b>Total Deferred Outflows of Resources</b>	<b>\$ 1,021,351</b>	<b>\$ 357,056</b>	<b>\$ 718,830</b>	<b>\$ 2,097,237</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 632,487	\$ 44,713	\$ 65,759	\$ 742,959
Salaries and Benefits Payable	79,355	32,511	71,316	183,182
Deposits Payable	57,458	-	-	57,458
Due to Other Funds	1,000,000	299,997	-	1,299,997
Accrued Interest Payable	83,062	660,026	-	743,088
Long-Term Debt	1,375,000	4,820,000	-	6,195,000
Current Portion of Liability on Cost Shared Infrastructure	267,610	-	-	267,610
Compensated Absences	14,703	27,457	85,615	127,775
<b>Total Current Liabilities</b>	<b>\$ 3,509,675</b>	<b>\$ 5,884,704</b>	<b>\$ 222,690</b>	<b>\$ 9,617,069</b>
Noncurrent Liabilities				
Long-Term Debt	\$ 8,565,000	\$ 94,058,405	\$ -	\$ 102,623,405
Liability for Cost Shared Infrastructure	5,563,305	-	-	5,563,305
Net Pension & OPEB Liability	1,336,270	724,327	1,458,233	3,518,830
Accrued Closure and Postclosure Liability	-	-	1,185,462	1,185,462
Compensated Absences	132,325	18,371	42,679	193,375
<b>Total Noncurrent Liabilities</b>	<b>\$ 15,596,900</b>	<b>\$ 94,801,103</b>	<b>\$ 2,686,374</b>	<b>\$ 113,084,377</b>
<b>Total Liabilities</b>	<b>\$ 19,106,575</b>	<b>\$ 100,685,807</b>	<b>\$ 2,909,064</b>	<b>\$ 122,701,446</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Cost Sharing Defined Benefit Pension Plan	\$ 193,096	\$ 104,668	\$ 210,720	\$ 508,484
Deferred Inflows - Western Area Water Supply Authority	73,150,844	-	-	73,150,844
<b>Total Deferred Inflows of Resources</b>	<b>\$ 73,343,940</b>	<b>\$ 104,668</b>	<b>\$ 210,720</b>	<b>\$ 73,659,328</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 51,623,368	\$ 84,253,899	\$ 5,831,785	\$ 141,709,052
Restricted	1,629,375	4,624,410	-	6,253,785
Unrestricted	15,246,226	1,744,684	12,169,042	29,159,952
<b>Total Net Position</b>	<b>\$ 68,498,969</b>	<b>\$ 90,622,993</b>	<b>\$ 18,000,827</b>	<b>\$ 177,122,789</b>

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

**CITY OF WILLISTON**

Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Funds  
 December 31, 2018

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Non-Major	Total
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 9,346,906	\$ 1,385,168	\$ 4,998,281	\$ 15,730,355
Miscellaneous	5,317	4,460	13,101	22,878
Total Operating Revenues	<u>\$ 9,352,223</u>	<u>\$ 1,389,628</u>	<u>\$ 5,011,382</u>	<u>\$ 15,753,233</u>
<b>OPERATING EXPENSES</b>				
Salaries and Benefits	\$ 1,334,075	\$ 1,016,411	\$ 2,056,799	\$ 4,407,285
Materials and Supplies	5,093,249	297,208	380,351	5,770,808
Contractual Services	1,053,190	683,009	1,168,045	2,904,244
Depreciation	3,250,730	4,034,991	936,365	8,222,086
Amortization	295,337	-	-	295,337
Miscellaneous	259,156	98,651	217,337	575,144
Total Operating Expenses	<u>\$ 11,285,737</u>	<u>\$ 6,130,270</u>	<u>\$ 4,758,897</u>	<u>\$ 22,174,904</u>
Operating Income (Loss)	<u>\$ (1,933,514)</u>	<u>\$ (4,740,642)</u>	<u>\$ 252,485</u>	<u>\$ (6,421,671)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Oil and Gas Royalties	\$ 435,924	\$ -	\$ -	\$ 435,924
Interest and Service Charges	(388,056)	(2,522,865)	(147)	(2,911,068)
Amortization of WAWSA Deferred Outflows and Inflows	839,564	-	-	839,564
Refunds and Reimbursements	-	69,020	-	69,020
Total Nonoperating Revenue (Expenses)	<u>\$ 887,432</u>	<u>\$ (2,453,845)</u>	<u>\$ (147)</u>	<u>\$ (1,566,560)</u>
Income (Loss) Before Contributions and Transfers	<u>\$ (1,046,082)</u>	<u>\$ (7,194,487)</u>	<u>\$ 252,338</u>	<u>\$ (7,988,231)</u>
Capital Contributions	\$ 2,492,829	\$ 2,618,860	\$ 536,270	\$ 5,647,959
Transfers In	-	14,069,200	-	14,069,200
Transfers Out	-	(4,119,811)	-	(4,119,811)
Change in Net Position	<u>\$ 1,446,747</u>	<u>\$ 5,373,762</u>	<u>\$ 788,608</u>	<u>\$ 7,609,117</u>
Total Net Position - January 1	<u>\$ 67,155,246</u>	<u>\$ 85,277,328</u>	<u>\$ 17,277,780</u>	<u>\$ 169,710,354</u>
Prior Period Adjustments	<u>\$ (103,024)</u>	<u>\$ (28,097)</u>	<u>\$ (65,561)</u>	<u>\$ (196,682)</u>
Total Net Position - January 1, as restated	<u>\$ 67,052,222</u>	<u>\$ 85,249,231</u>	<u>\$ 17,212,219</u>	<u>\$ 169,513,672</u>
Total Net Position - December 31	<u>\$ 68,498,969</u>	<u>\$ 90,622,993</u>	<u>\$ 18,000,827</u>	<u>\$ 177,122,789</u>

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



# CITY OF WILLISTON

## Statement of Cash Flows – Proprietary Funds December 31, 2018

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Non-Major	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 9,955,406	\$ 1,383,177	\$ 4,870,517	\$ 16,209,100
Payments to Suppliers	(5,587,148)	(993,629)	(917,382)	(7,498,159)
Payments to Employees	(1,526,816)	(848,426)	(1,780,693)	(4,155,935)
Other Operating Revenues (Expenses)	(253,839)	(94,191)	(204,236)	(552,266)
Net Cash Provided by Operating Activities	\$ 2,587,603	\$ (553,069)	\$ 1,968,206	\$ 4,002,740
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers In	\$ -	\$ 14,069,200	\$ -	\$ 14,069,200
Transfers Out	-	(4,119,811)	-	(4,119,811)
Due To/From Other Funds	-	(3,734,676)	(299,997)	(4,034,673)
Net Cash Provided (Used) by Noncapital Financing Activities	\$ -	\$ 6,214,713	\$ (299,997)	\$ 5,914,716
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	\$ (181,929)	\$ (1,076,865)	\$ (993,848)	\$ (2,252,642)
Payment on Cost Shared Infrastructure Liability	(177,034)	-	-	(177,034)
Proceeds from Capital Debt	-	4,119,811	-	4,119,811
Principal Payments on Long-Term Debt	(1,340,000)	(4,705,000)	-	(6,045,000)
Reimbursements from WAWSA for Debt Payments	1,340,000	-	-	1,340,000
Proceeds from Oil and Gas Royalties	435,924	-	-	435,924
Interest and Fiscal Charges of Debt	(376,858)	(2,509,370)	(147)	(2,886,375)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (299,897)	\$ (4,171,424)	\$ (993,995)	\$ (5,465,316)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 2,287,706	\$ 1,490,220	\$ 674,214	\$ 4,452,140
Cash and Cash Equivalents, January 1	\$ 2,468,011	\$ 3,134,190	\$ 7,405,637	\$ 13,007,838
Cash and Cash Equivalents, December 31	\$ 4,755,717	\$ 4,624,410	\$ 8,079,851	\$ 17,459,978
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ (1,933,514)	\$ (4,740,642)	\$ 252,485	\$ (6,421,671)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	3,546,067	4,034,991	936,365	8,517,423
Change in Assets and Liabilities				
Accounts Receivable	651,287	(1,991)	(127,764)	521,532
Inventory	75,647	(2,813)	-	72,834
Deferred Pension and OPEB Outflows	674,684	6,599	129,692	810,975
Accounts Payable	483,644	(10,599)	18	473,063
Deposits Payable	(42,787)	-	-	(42,787)
Salaries and Benefits Payable	20,154	1,281	10,238	31,673
Compensated Absences	4,691	(8,444)	8,265	4,512
Net Pension and OPEB Liability	(1,016,762)	82,591	(39,152)	(973,323)
Deferred Pension and OPEB Inflows	124,492	85,958	167,063	377,513
Closure/Post Closure Costs	-	-	630,996	630,996
Net Cash Provided (Used) by Operating Activities	\$ 2,587,603	\$ (553,069)	\$ 1,968,206	\$ 4,002,740
Noncash Investing, Capital, and Financing Activities				
Contribution of Capital Assets from Capital Project Funds	\$ 2,492,829	\$ 2,618,860	\$ 536,270	\$ 5,647,959
Cost Shared Infrastructure Acquired with Deferred Inflows of Resources	1,274,808	-	-	1,274,808

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

**CITY OF WILLISTON**

Statement of Fiduciary Assets and Liabilities – Agency Funds  
December 31, 2018

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**Assets**

Cash and Cash Equivalents	\$	15,753
Intergovernmental Receivable		<u>90,714</u>

Total Assets	\$	<u><u>106,467</u></u>
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**Liabilities**

Due to Other Agencies	\$	<u><u>106,467</u></u>
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The notes to the financial statements are an integral part of this statement.

# CITY OF WILLISTON

Notes to the Financial Statements  
For the Year Ended December 31, 2018

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## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Williston, North Dakota ("City") 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. The City has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause its 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 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. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The City reports the following major governmental funds:

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

Sales Tax Fund - This fund accounts for the financial resources of the City sales tax which is dedicated to city infrastructure replacement, City debt retirement and economic development.

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

Debt Service Fund – This fund accounts for the repayment of special assessment and other long-term debt.

## CITY OF WILLISTON

### Notes to the Financial Statements – Continued

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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.

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.

Additionally, the City reports the following fund type:

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

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

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

As a general rule, the City has eliminated the effect of interfund activity from the governmentwide 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.

## **CITY OF WILLISTON**

### Notes to the Financial Statements – Continued

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#### **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.

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, Cash Equivalents, and Investments**

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

#### **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.

#### **Taxes Receivable**

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.

#### **Special Assessments Receivable**

Special assessments receivable consists of uncollected special assessments due to the City at December 31, 2018 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, 2018, all accounts are considered collectible.

**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

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**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

**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.

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.

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.

**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.

**Other Post-Employment Benefits (OPEB)**

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

**Fund Balance**

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.

The City has not formally adopted a fund balance policy.

**Net Position**

Net investment in capital assets is reported for capital assets less accumulated depreciation, as well as net of any related debt to purchase or finance the capital assets. These assets are not available for future spending.

Restrictions of net position in the statement of net position are due to restricted tax levies and restricted federal and state grants/reimbursements.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

**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.



**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

**NOTE 2 PRIOR PERIOD ADJUSTMENT**

Net position as of January 1, 2018 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions*. The result of implementing GASB 75 reduced beginning net position for the City.

Adjustments to beginning net position are outlined as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
<b>Beginning Net Position, as previously reported</b>	\$ 270,985,581	\$ 169,710,354
Adjustments to restate the January 1, 2018 Net Position		
Net OPEB Liability	(948,854)	(223,353)
Deferred Inflows	(59,017)	(13,892)
Deferred Outflows	172,323	40,563
<b>Net Position January 1, as restated</b>	<b>\$ 270,150,033</b>	<b>\$ 169,513,672</b>

**NOTE 3 LEGAL COMPLIANCE**

**Budget Amendments**

The City's governing board did not amend the City budgets for the year ended December 31, 2018.

The following funds were overspent for the year ended December 31, 2018:

	<b>Budget</b>	<b>Actual</b>	<b>Overspent</b>
<b>Governmental Funds</b>			
Nonmajor Funds			
Special Assess City Property	\$ 250,000	\$ 292,112	\$ (42,112)
Special Imp Deficiency	-	37,758	(37,758)
Ambulance Fund	4,881,189	4,883,844	(2,655)
Jobs Creation Fund	500,000	1,025,742	(525,742)
Visitor's Promo Fund	551,662	607,228	(55,566)
Friends of Will Comm Lib	-	301	(301)
R.C. Perpetual Care Fund	-	20,080	(20,080)
Public Safety Sales Tax	-	179,297	(179,297)
Equipment Reserve	9,894	200,000	(190,106)

Fund Deficits The following funds were in a deficit position at December 31, 2018:

<b>Governmental Funds</b>	
Major Funds	
Capital Project Fund	\$ (14,150,450)
Nonmajor Funds	
Special Assess City Property	(576,531)
Emergency Fund	(47,625)
Ambulance Fund	(2,069,062)
911 Communication	(15,691)
<b>Total</b>	<b>(16,859,359)</b>

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

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**NOTE 4 DEPOSITS**

**Custodial Credit Risk**

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution’s failure, the City would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The City does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

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

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

At year ended December 31, 2018, the City’s carrying amount of deposits totaled \$130,566,774, and the bank balances totaled \$166,435,781. Of the bank balances, \$16,435,781 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution’s agent in the government’s name.

**NOTE 5 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:

<b>Fund</b>	<b>Purpose</b>	<b>Amount</b>
Nonmajor Governmental	Debt Service	\$ 20,653,437
Water Fund	Debt Service	3,561,556
Sewer Fund	Debt Service	4,624,410
Nonmajor Business-Type	Landfill Closure and Post-Closure Costs	2,848,458
		<b>\$ 31,687,861</b>

**NOTE 6 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 \$950,791 for governmental activities accounts receivable and \$58,516 for business-type activities accounts receivable recorded at year end.

**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

**NOTE 7 CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2018:

<b>Governmental Activities</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
Capital Assets Not Being Depreciated					
Land	\$ 14,050,201	\$ 428,666	\$ -	\$ -	\$ 14,478,867
Construction in Progress	71,574,398	78,459,389	-	(14,494,356)	135,539,431
<b>Total Capital Assets Not Being Depreciated</b>	<b>85,624,599</b>	<b>78,888,055</b>	<b>-</b>	<b>(14,494,356)</b>	<b>150,018,298</b>
Capital Assets Being Depreciated					
Buildings	\$ 28,016,514	\$ 70,422	\$ 181,391	\$ 11,414,901	\$ 39,320,446
Improvements Other Than Buildings	1,801,654	136,173	62,188	-	1,875,639
Equipment	25,555,800	1,361,328	748,077	-	26,169,051
Infrastructure	166,851,751	812,850	-	3,079,455	170,744,056
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 222,225,719</b>	<b>\$ 2,380,773</b>	<b>\$ 991,656</b>	<b>\$ 14,494,356</b>	<b>\$ 238,109,192</b>
Less Accumulated Depreciation					
Buildings	\$ 6,298,176	\$ 646,538	\$ 97,792	\$ -	\$ 6,846,922
Improvements Other Than Buildings	694,741	48,237	59,718	-	683,260
Equipment	15,944,983	3,100,631	690,991	-	18,354,623
Infrastructure	23,316,835	3,414,086	-	-	26,730,921
<b>Total Accumulated Depreciation</b>	<b>\$ 46,254,735</b>	<b>\$ 7,209,492</b>	<b>\$ 848,501</b>	<b>\$ -</b>	<b>\$ 52,615,726</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 175,970,984</b>	<b>\$ (4,828,719)</b>	<b>\$ 143,155</b>	<b>\$ 14,494,356</b>	<b>\$ 185,493,466</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 261,595,583</b>	<b>\$ 74,059,336</b>	<b>\$ 143,155</b>	<b>\$ -</b>	<b>\$ 335,511,764</b>

<b>Business-Type Activities</b>	<b>Balance Jan 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance Dec 31</b>
Capital Assets Not Being Depreciated					
Land	\$ 457,470	\$ -	\$ -	\$ -	\$ 457,470
Construction in Progress	130,524,439	4,244,808	-	(122,515,038)	12,254,209
<b>Total Capital Assets Not Being Depreciated</b>	<b>130,981,909</b>	<b>4,244,808</b>	<b>-</b>	<b>(122,515,038)</b>	<b>12,711,679</b>
Capital Assets Being Depreciated					
Buildings	\$ 101,507,240	\$ 1,805,615	\$ -	\$ 89,115,760	\$ 192,428,615
Improvements Other Than Buildings	44,515,076	16,000	7,776	10,232,865	54,756,165
Equipment	13,297,102	1,370,775	1,318,286	26,500	13,376,091
Infrastructure	89,304,963	872,346	-	23,139,913	113,317,222
<b>Total Capital Assets Being Depreciated</b>	<b>\$ 248,624,381</b>	<b>\$ 4,064,736</b>	<b>\$ 1,326,062</b>	<b>\$ 122,515,038</b>	<b>\$ 373,878,093</b>
Less Accumulated Depreciation					
Buildings	\$ 14,209,165	\$ 3,843,660	\$ -	\$ -	\$ 18,052,825
Improvements Other Than Buildings	16,365,552	1,085,824	6,432	-	17,444,944
Equipment	9,936,034	1,118,331	1,140,346	-	9,914,019
Infrastructure	2,976,372	2,174,272	-	-	5,150,644
<b>Total Accumulated Depreciation</b>	<b>\$ 43,487,123</b>	<b>\$ 8,222,087</b>	<b>\$ 1,146,778</b>	<b>\$ -</b>	<b>\$ 50,562,432</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 205,137,258</b>	<b>\$ (4,157,351)</b>	<b>\$ 179,284</b>	<b>\$ 122,515,038</b>	<b>\$ 323,315,661</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 336,119,167</b>	<b>\$ 87,457</b>	<b>\$ 179,284</b>	<b>\$ -</b>	<b>\$ 336,027,340</b>

**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

Depreciation expense was charged to the following governmental functions:

<b>Governmental Activities</b>	
General Government	\$ 253,357
Public Safety	1,965,484
Public Works	3,898,273
Culture and Recreation	62,514
Public Services	1,029,864
<b>Total Depreciation Expense</b>	<b>\$ 7,209,492</b>

Depreciation expense was charged to the following business-type functions:

<b>Business-Type Activities</b>	
Water	3,250,731
Sewer	4,034,991
Refuse	569,768
Landfill	366,597
<b>Total Depreciation Expense</b>	<b>\$ 8,222,087</b>

**NOTE 8 LONG-TERM LIABILITIES**

**Primary Government**

During the year ended December 31, 2018, the following changes occurred in governmental activities long-term liabilities:

<b>Governmental Activities</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long Term Debt					
General Obligation Boinds	\$ 340,000		\$ 165,000	\$ 175,000	\$ 175,000
Revenue Bonds	73,980,000	39,495,000	37,195,000	76,280,000	5,980,000
Special Assessment Bonds	55,005,000		3,160,000	51,845,000	3,200,000
Capital Lease	495,635		495,635	-	-
Certificate of Indebtedness	24,996,056	24,000,000	4,249	48,991,807	-
Bond Premium	2,484,749	1,389,883	308,931	3,565,701	722,552
Bond Discount	(601,991)	(273)	(51,317)	(550,947)	(50,991)
<b>Total Long Term Debt</b>	<b>\$ 156,699,449</b>	<b>\$ 64,884,610</b>	<b>\$ 41,277,498</b>	<b>\$ 180,306,561</b>	<b>\$10,026,561</b>
Compensated Absences *	\$ 1,490,304	\$ 195,435	\$ -	\$ 1,685,739	\$ 168,574
Net Pension & OPEB Liability	19,396,740	623,607	-	20,020,347	-
<b>Total Governmental Activities</b>	<b>\$ 177,586,493</b>	<b>\$ 65,703,652</b>	<b>\$ 41,277,498</b>	<b>\$ 202,012,647</b>	<b>\$10,195,135</b>

<b>Business-Type Activities</b>	<b>Bal. Jan 1 Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec 31</b>	<b>Due Within One Year</b>
Long Term Debt					
Revenue Bonds	\$ 110,743,594	\$ 4,119,811	\$ 6,045,000	\$ 108,818,405	\$ 6,195,000
Cost-Shared Infrastructure	\$ 4,805,300	\$ 1,202,648	\$ 177,033	\$ 5,830,915	\$ 267,610
Compensated Absences *	316,638	4,512	-	321,150	127,775
Landfill Closure Costs	554,466	630,996	-	1,185,462	-
Net Pension & OPEB Liability	4,492,152	-	973,322	3,518,830	-
<b>Total Business-Type Activities</b>	<b>\$ 120,912,150</b>	<b>\$ 5,957,967</b>	<b>\$ 7,195,355</b>	<b>\$ 119,674,762</b>	<b>\$ 6,590,385</b>

\* - Compensated absences are shown as a net change.

**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

**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:

<b>GENERAL OBLIGATION BONDS</b>		
<b>Year Ending Dec. 31</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 175,000	\$ 3,938

**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.

<b>REVENUE BONDS</b>						
<b>Year Ending Dec. 31</b>	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 5,980,000	\$ 3,099,699	\$ 6,195,000	\$ 2,505,275	\$ 12,175,000	\$ 5,604,974
2020	5,850,000	3,234,943	6,355,000	2,373,825	12,205,000	5,608,768
2021	6,110,000	2,969,693	6,510,000	2,238,975	12,620,000	5,208,668
2022	6,385,000	2,690,693	6,345,000	2,100,850	12,730,000	4,791,543
2023	6,680,000	2,396,133	6,430,000	1,967,450	13,110,000	4,363,583
2024 - 2028	27,510,000	7,205,113	31,105,000	7,834,525	58,615,000	15,039,638
2029 - 2033	8,150,000	2,552,306	31,535,000	4,741,100	39,685,000	7,293,406
2034 - 2038	9,615,000	305,088	14,343,405	1,426,200	23,958,405	1,731,288
Total	\$ 76,280,000	\$ 24,453,668	\$ 108,818,405	\$ 25,188,200	\$185,098,405	\$ 49,641,868

**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.

**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

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

<b>SPECIAL ASSESSMENT BONDS</b>		
<b>Year Ending Dec. 31</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 3,200,000	\$ 1,672,136
2020	3,185,000	1,554,301
2021	3,200,000	1,444,918
2022	3,175,000	1,344,076
2023	3,005,000	1,247,980
2024 - 2028	14,625,000	4,750,841
2029 - 2033	15,245,000	2,165,821
2034 - 2038	6,210,000	287,575
Total	\$ 51,845,000	\$ 14,467,648

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, 2018.

**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:

<b>CERTIFICATE OF INDEBTEDNESS</b>		
<b>Year Ending Dec. 31</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ -	\$ 1,265,982
2020	48,991,807	433,948
Total	\$ 48,991,807	\$ 1,699,930

**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, 2018, there were four series of MIDA Bonds outstanding. The aggregate principal amount payable for the series could not be determined; however, the 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 \$1,185,462 at December 31, 2018, 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, 2018. 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.

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. At December 31, 2018, cells one, two, three, and four are approximately 85% full and is in the process of constructing cells five and six.

**NOTE 11 PENSION PLAN**

**General Information about the NDPERS Pension Plan**

***North Dakota Public Employees Retirement System (Main & Law Enforcement System)***

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to N.D.C.C 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**

Main System

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired 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 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

Law Enforcement System

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) 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.

**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 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 for disabled is set by the NDPERS in the North Dakota Administrative Code.

**Refunds of Member Account Balance**

Upon termination, if a member of the Main System is not vested (is not 65 (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**

Main System

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

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

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



**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

Law Enforcement System

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 5.5% and employer contributions rates are 7.93% of covered compensation.

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

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

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

At December 31, 2018, the following net pension liabilities were reported:

	<b>Net Pension Liability</b>
Main System	\$ 17,565,985
Law Enforcement System	4,702,203

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was based on their respective share of covered payroll in the main system pension plan (Law Enforcement System pension plan for the Law Enforcement System) relative to the covered payroll of all participating main system (Law Enforcement System) employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

	<b>Proportion of Net Pension Liability</b>	<b>Change in Proportions</b>	<b>Pension Expense</b>
Main System	1.040880%	-0.223803%	\$ 3,169,734
Law Enforcement System	20.177460%	9.325994%	1,335,286

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

<b>Main System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 46,497	\$ 597,629
Changes of Assumptions	6,340,955	250,720
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	85,460
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	1,812,049	1,734,607
Employer Contributions Subsequent to the Measurement Date	736,775	-
<b>Total Main System</b>	<b>\$ 8,936,276</b>	<b>\$ 2,668,416</b>

**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

<b>Law Enforcement System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 482,764	\$ 98,766
Changes of Assumptions	2,309,818	76,660
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	131,675
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	596,301	120,785
Employer Contributions Subsequent to the Measurement Date	609,349	-
<b>Total Law Enforcement System</b>	<b>\$ 3,998,232</b>	<b>\$ 427,886</b>

\$736,775 and \$609,349 for the main system and law enforcement system, respectively, were reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

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

	<b>Main System</b>	<b>Law Enforcement</b>
2018	\$ 2,079,819	\$ 817,290
2019	1,841,030	772,478
2020	1,299,861	663,743
2021	425,708	538,319
2022	(115,333)	169,167

**Actuarial Assumptions**

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Main System

Inflation	2.50%																						
Salary increases	<table border="0"> <tr> <td>Service at Beginning of year:</td> <td>Increase Rate:</td> </tr> <tr> <td>0</td> <td>15.00%</td> </tr> <tr> <td>1</td> <td>10.00%</td> </tr> <tr> <td>2</td> <td>8.00%</td> </tr> <tr> <td>Age*</td> <td></td> </tr> <tr> <td>Under 30</td> <td>10.00%</td> </tr> <tr> <td>30 – 39</td> <td>7.50%</td> </tr> <tr> <td>40 – 49</td> <td>6.75%</td> </tr> <tr> <td>50 – 59</td> <td>6.50%</td> </tr> <tr> <td>60+</td> <td>5.25%</td> </tr> <tr> <td colspan="2">* Age-based salary increase rates apply for employees with three or more years of service</td> </tr> </table>	Service at Beginning of year:	Increase Rate:	0	15.00%	1	10.00%	2	8.00%	Age*		Under 30	10.00%	30 – 39	7.50%	40 – 49	6.75%	50 – 59	6.50%	60+	5.25%	* Age-based salary increase rates apply for employees with three or more years of service	
Service at Beginning of year:	Increase Rate:																						
0	15.00%																						
1	10.00%																						
2	8.00%																						
Age*																							
Under 30	10.00%																						
30 – 39	7.50%																						
40 – 49	6.75%																						
50 – 59	6.50%																						
60+	5.25%																						
* 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

Law Enforcement System

Inflation	2.50%																						
Salary increases	<table border="0"> <tr> <td>Service at Beginning of year:</td> <td>Increase Rate:</td> </tr> <tr> <td>0</td> <td>20.00%</td> </tr> <tr> <td>1</td> <td>20.00%</td> </tr> <tr> <td>2</td> <td>10.00%</td> </tr> <tr> <td>Age*</td> <td></td> </tr> <tr> <td>Under 30</td> <td>7.25%</td> </tr> <tr> <td>30 – 39</td> <td>6.50%</td> </tr> <tr> <td>40 – 49</td> <td>6.25%</td> </tr> <tr> <td>50 – 59</td> <td>5.75%</td> </tr> <tr> <td>60+</td> <td>5.00%</td> </tr> <tr> <td colspan="2">* Age-based salary increase rates apply for employees with three or more years of service</td> </tr> </table>	Service at Beginning of year:	Increase Rate:	0	20.00%	1	20.00%	2	10.00%	Age*		Under 30	7.25%	30 – 39	6.50%	40 – 49	6.25%	50 – 59	5.75%	60+	5.00%	* Age-based salary increase rates apply for employees with three or more years of service	
Service at Beginning of year:	Increase Rate:																						
0	20.00%																						
1	20.00%																						
2	10.00%																						
Age*																							
Under 30	7.25%																						
30 – 39	6.50%																						
40 – 49	6.25%																						
50 – 59	5.75%																						
60+	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																						

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long -Term Expected Real Rate of Return</b>
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.2%
Domestic Fixed Income	23%	1.45%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.11%
Cash Equivalents	0%	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.

**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

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 3.62%; and the resulting Single Discount Rate is 6.32%.

**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 6.32 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate.

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (5.32%)</b>	<b>Current Discount Rate (6.32%)</b>	<b>1% Increase (7.32%)</b>
Main System	\$ 23,868,909	\$ 17,565,985	\$ 12,306,399
Law Enforcement System	7,257,053	4,702,203	2,626,478

**Pension Plan Fiduciary Net Position**

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

**NOTE 12 OPEB PLAN**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

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

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

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

**OPEB Benefits**

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

**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

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

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

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

At December 31, 2018, the following net OPEB liabilities were reported:

	<b>Net OPEB Liability</b>
Main System	\$ 1,270,988

The net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net OPEB liability was based on their respective share of covered payroll in the main system pension plan relative to the covered payroll of all participating main system employers. At June 30, 2018, the entities had the following proportions, change in proportions, and pension expense:

	<b>Proportion of Net OPEB Liability</b>	<b>Change in Proportions</b>	<b>OPEB Expense</b>
Main System	1.613813%	0.131901%	\$ 171,405

At December 31, 2018, the following deferred outflows of resources and deferred inflows of resources were reported related to OPEB from the following sources:

<b>Main System</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 38,050	\$ 26,260
Changes of Assumptions	104,286	-
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	-	27,342
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	89,069	-
Employer Contributions Subsequent to the Measurement Date	117,967	-
<b>Total</b>	<b>\$ 349,372</b>	<b>\$ 53,602</b>

\$117,967 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

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

	<b>Main System</b>
2018	\$ 24,997
2019	24,997
2020	24,997
2021	37,064
2022	34,850
2023	25,216
Thereafter	5,682

**Actuarial assumptions**

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.50%, net of investment expenses
Cost-of-Living Adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

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

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

<b>Proportionate Share of the Net OPEB Liability</b>	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Main System	\$ 1,608,103	\$ 1,270,988	\$ 981,992

**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 \$9,803,445 for inland marine coverage.

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The Fund currently provides the City with an aggregate coverage limit of \$225,000,000 with specific special limits varying from \$500 to \$500,000.

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, 2018 is as follows:

<b>Receivable</b>	<b>Payable</b>	<b>Amount</b>
General Fund	Capital Projects	35,019,456
General Fund	Water Fund	1,000,000
Sewer Fund	Landfill Fund	299,998
<b>Total</b>		<b>36,319,454</b>

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, 2018 is \$197,235.

**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2018:

	<b>Transfers In</b>	<b>Transfers Out</b>
<b>Governmental Funds</b>		
Major Funds		
General Fund	\$ 2,456,205	\$ 17,512,639
Sales Tax Fund	-	8,559,446
Capital Project Fund	6,169,058	5,456,042
Debt Service Fund	22,068,025	463,430
Nonmajor Governmental Funds		
Municipal Highway	151,162	748,378
Ambulance Fund	656,611	-
911 Communication	60,681	-
Band Fund	504	-
TIF #10 Uninc Commons 3Mil	-	333
Public Safety Sales Tax	-	9,520,945
DMV & Passport Services	9,894	-
Equipment Reserve	739,683	-
<b>Business-Type Funds</b>		
Major Funds		
Sewer Fund	14,069,201	4,119,811
<b>Total Transfers</b>	<b>\$ 46,381,024</b>	<b>\$ 46,381,024</b>

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 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.

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.



**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

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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.

During 2018, under the above agreements, the City received \$511,521 for sales of water to Western Area Water Supply Authority. Other reimbursements from WAWSA included principal debt payment reimbursements of \$1,340,000, interest and administrative fee reimbursements of \$335,050, operations and maintenance reimbursements of \$4,073,359 and capital expenditure reimbursements of \$1,274,808. The City also purchased water from WAWSA for a total of \$3,289,406.

The deferred inflow of resources from WAWSA consists of the following items for the year ended December 31, 2018:

Debt reimbursement receivable as of December 31	\$ 10,051,666
Principal debt payment reimbursements	8,593,334
Accumulated capital expenditures reimbursements	58,209,605
Amortization	(3,703,761)
Deferred inflow of resources from WAWSA	\$ 73,150,844

**CITY OF WILLISTON**

Notes to the Financial Statements – Continued

**NOTE 16 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. In FY2018, the City entered into an additional \$1,202,648 agreement. The total agreement is \$6,229,048.

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, 2018 was \$295,337. Accumulated amortization and net book value of this asset was \$672,317 and \$5,556,731, respectively, as of December 31, 2018.

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:

2019	\$	267,610
2020		271,492
2021		277,915
2022		280,785
2023		287,261
2024 - 2028		1,512,200
2029 - 2033		1,356,620
2034 - 2038		757,729
2039 - 2043		497,614
2044 - 2048		321,689
<b>Total</b>	<b>\$</b>	<b>5,830,915</b>

**NOTE 17 COMMITMENTS**

The City had open commitments as of December 31, 2018 as follows:

	<b>Outstanding</b>
<b>Capital Improvements</b>	
Construction Commitments	
City Infrastructure	\$ 15,395,495
Airport Improvement	91,470,452
Consulting Services	
CG Williston	8,191,725
<b>Total Commitments</b>	<b>\$ 115,057,672</b>

**CITY OF WILLISTON**

Schedule of Employer's Share of Net Pension Liability and Employer Contributions  
For the Year Ended December 31, 2018

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

<b>Main System</b>	<b>Proportion of the Net Pension Liability (Asset)</b>	<b>Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Covered-Employee Payroll</b>	<b>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2018	1.040880%	\$ 17,565,985	\$ 10,693,136	164.27%	62.80%
2017	1.264683%	20,327,606	12,910,430	157.45%	61.98%
2016	1.145185%	11,160,944	11,540,763	96.71%	70.46%
2015	0.943285%	6,414,177	8,403,527	76.33%	77.15%
2014	0.750286%	5,507,950	6,320,257	87.15%	77.70%

<b>Law Enforcement System</b>	<b>Proportion of the Net Pension Liability (Asset)</b>	<b>Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Covered-Employee Payroll</b>	<b>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2018	20.177460%	\$ 4,702,203	\$ 6,965,475	67.51%	62.80%
2017	10.851466%	2,389,079	3,121,498	76.54%	61.98%
2016	11.273049%	1,291,717	3,181,916	40.60%	70.46%
2015	15.111462%	918,100	2,214,803	41.45%	77.15%
2014	15.425711%	1,140,156	2,016,758	56.53%	77.70%

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

<b>Main System</b>	<b>Statutory Required Contribution</b>	<b>Contributions in Relation to the Statutory Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered-Employee Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
2018	\$ 787,595	\$ 810,624	\$ (23,029)	\$ 10,693,136	7.58%
2017	936,163	972,508	(36,345)	12,910,430	7.53%
2016	835,533	805,664	29,869	11,540,763	6.98%
2015	638,315	653,903	(15,588)	8,403,527	7.78%
2014	450,002	450,002	-	6,320,257	7.12%

<b>Law Enforcement System</b>	<b>Statutory Required Contribution</b>	<b>Contributions in Relation to the Statutory Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered-Employee Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
2018	\$ 640,757	\$ 619,402	\$ 21,355	\$ 6,965,475	8.89%
2017	326,123	343,702	(17,579)	3,121,498	11.01%
2016	7,142	8,261	(1,119)	3,181,916	0.26%
2015	239,203	250,603	(11,400)	2,214,803	11.31%
2014	197,844	197,844	-	2,016,758	9.81%

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

**CITY OF WILLISTON**

Schedule of Employer’s Share of Net OPEB Liability and Employer Contributions  
 For the Year Ended December 31, 2018

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

<b>Main System</b>	<b>Proportion of the Net OPEB Liability (Asset)</b>	<b>Proportionate Share of the Net OPEB (Asset)</b>	<b>Covered-Employee Payroll</b>	<b>Proportionate Share of the Net OPEB (Asset) as a Percentage of its Covered-Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
2018	1.613813%	\$ 1,270,988	\$ 17,658,611	7.20%	61.89%
2017	1.481912%	1,172,208	16,031,928	7.31%	59.78%

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

<b>Main System</b>	<b>Statutory Required Contribution</b>	<b>Contributions in Relation to the Statutory Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered-Employee Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
2018	\$ 207,126	\$ 201,769	\$ 5,357	\$ 17,658,611	1.14%
2017	186,360	195,651	(9,291)	16,031,928	1.22%

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

## **CITY OF WILLISTON**

Notes to the Required Supplementary Information  
For the Year Ended December 31, 2018

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### **NOTE 1 SCHEDULE OF PENSION AND OPEB LIABILITY AND CONTRIBUTIONS**

GASB Statements No. 68 and 75 require ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

### **NOTE 2 PENSION AND OPEB - CHANGES OF ASSUMPTIONS**

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**CITY OF WILLISTON**

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018

CFDA Number	Program Title	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Direct Programs			
Airport Improvement Program			
20.106	NAVAID Design	AIP 3-38-0084-002-2016	\$ 8,722
20.106	Conceptual Site grading	AIP 3-38-0084-002-2016	1,917,134
20.106	Preliminary Runway & Lighting	AIP 3-38-0084-002-2016	6,504,875
20.106	Primary Parallel Taxiway Design	AIP 3-38-0084-003-2017	1,610,581
20.106	Preliminary Runway & Taxiway	AIP 3-38-0084-003-2017	3,053,046
20.106	Design & Construct Terminal	AIP 3-38-0084-004-2017	8,704,702
20.106	Design & Construct ARFF/SRE Storage	AIP 3-38-0084-005-2018	1,739,746
20.106	Commercial Service Apron & Taxiway	AIP 3-38-0084-005-2018	921,423
20.106	GA Apron/Cargo Apron	AIP 3-38-0084-006-2018	<u>512,647</u>
Total Airport Improvement Program			<u>\$ 24,972,876</u>
Passed through the North Dakota State Department of Transportation			
20.600	State and Community Highway Safety	HSPDD1811	\$ 1,800
20.616	National Priority Safety Programs	HSPID1810	4,295
20.616	National Priority Safety Programs	HSPOP1805	<u>1,196</u>
Total National Priority Safety Programs			<u>\$ 7,291</u>
Total U.S. Department of Transportation FAA			<u>\$ 24,980,167</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed through North Dakota Department of Attorney General			
16.738	Justice Assitance Grant	17208	<u>\$ 5,850</u>
Total Attorney General			<u>\$ 5,850</u>
<b>U.S. Department of Housing &amp; Urban Development</b>			
Passed through North Dakota Division of Community Services			
14.228	Community Development Block Grants - States Program	3997-CD15-PF	<u>\$ 4,834</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 4,834</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through North Dakota Department of Emergency Services			
97.067	Homeland Security Grant Program	A1218-001-2017-R	<u>\$ 42,077</u>
Total U.S. Department of Homeland Security			<u>\$ 42,077</u>
Total Expenditures of Federal Awards			<u><u>\$ 25,032,928</u></u>

The notes to the schedule of expenditures of federal awards are an integral part of this financial statement.

## **CITY OF WILLISTON**

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018

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### **NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2018. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City. Expenditures represent only the federally funded portions of the program. City records should be consulted to determine amounts expended or matched from non-federal sources.

### **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **NOTE 3 SUBRECIPIENTS**

During 2018, the City passed federal money to Tri County of \$4,834 and Family Crisis \$5,850.

STATE AUDITOR

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division  
FARGO OFFICE  
MANAGER – CRAIG HASHBARGER  
Phone (701)239-7250

STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
1655 43<sup>RD</sup> STREET SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

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**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***

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Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2018, 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 November 5, 2019.

**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 of Williston's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Williston'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *schedule of audit findings and questioned costs* as items 2018-001, 2018-002, 2018-003, 2018-004, and 2018-005 that we consider 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**CITY OF WILLISTON**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

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**The City of Williston’s Response to Findings**

The City of Williston’s response to the findings identified in our audit is described in the accompanying *schedule of audit findings and questioned costs*. The City of Williston’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
November 5, 2019



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
1655 43<sup>RD</sup> STREET SOUTH, SUITE 203  
FARGO, NORTH DAKOTA 58103

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

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Independent Auditor's Report

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, 2018. The City of Williston's major federal programs are identified in the summary of auditor's results.

**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 of Williston'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 of Williston'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 of Williston's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City of Williston 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, 2018.

**CITY OF WILLISTON**

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

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**Report on Internal Control over Compliance**

Management of the City of Williston 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 of Williston’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 of Williston’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 over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses and significant deficiencies may exist that were not identified. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-006 to be a material weakness.

Williston-Sloulin Field International Airport, City of Williston, North Dakota’s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Williston-Sloulin Field International Airport, City of Williston, North Dakota’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
November 5, 2019

**CITY OF WILLISTON**

Summary of Auditor's Results  
 For the Year Ended December 31, 2018

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**FINANCIAL STATEMENTS**

Type of Report Issued?	
Governmental Activities	Qualified
Business-Type Activities	Qualified
Water Fund	Qualified
Sewer Fund	Qualified
General Fund	Unmodified
Sales Tax Fund	Unmodified
Capital Projects Fund	Unmodified
Debt Service Fund	Unmodified
Aggregate Remaining Funds	Qualified

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

**FEDERAL AWARDS**

Internal Control Over Major Programs

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

**IDENTIFICATION OF MAJOR PROGRAMS**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Grant

Dollar threshold used to distinguish between Type A and B programs:	<u>  \$ 750,000  </u>
Auditee qualified as low-risk auditee?	<u>      </u> Yes <u>  X  </u> No

# **CITY OF WILLISTON**

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018

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## **SECTION I - FINANCIAL STATEMENT FINDINGS**

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### **2018-001 FINANCIAL STATEMENT PREPARATION**

#### **Condition**

The City of Williston does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the financial statements and note disclosures be prepared by the auditors.

#### **Criteria**

Management of City of Williston is responsible for establishing proper internal control over the preparation of City of Williston's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

#### **Cause**

Management may not be fully aware how to prepare basic financial statements that comply with GAAP and has chosen to have the auditors assist in the preparation of the financial statements and note disclosures.

#### **Effect**

There is an increased risk of material misstatement to the City's financial statements.

#### **Repeat Finding**

Yes.

#### **Recommendation**

We recommend City of Williston design and implement internal controls over financial reporting to ensure financial statements are presented in accordance with GAAP. We further recommend management continue to obtain sufficient knowledge to ensure the financial statements are free from material misstatement.

#### **City of Williston's Response**

See Corrective Action Plan.

**CITY OF WILLISTON**

Schedule of Audit Findings and Questioned Costs – Continued

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**2018-002 ADJUSTING JOURNAL ENTRIES**

**Condition**

Material auditor-identified adjusting entries to the financial statements were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

**Criteria**

City of Williston is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

**Cause**

Management is not fully knowledgeable of identifying necessary adjustments to present the financial statements in compliance with GAAP.

**Effect**

Inadequate internal controls over recording of transactions affects City of Williston's ability to detect misstatements in amounts that could be material in relation to the financial statements.

**Repeat Finding**

Yes.

**Recommendation**

We recommend City of Williston design and implement internal controls to identify the necessary adjustments to present the financial statements in compliance with GAAP.

**City of Williston's Response**

See Corrective Action Plan.

**CITY OF WILLISTON**

Schedule of Audit Findings and Questioned Costs – Continued

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**2018-003 CAPITAL ASSETS NOT REPORTED**

**Condition**

The City of Williston's financial statements do not include material capital assets and related depreciation donated to the City in prior years from private developers.

**Criteria**

Generally Accepted Accounting Principles (GAAP) requires the capitalization of costs associated with assets that meet the definition of a capital asset. If contributed capital is obtained and also meets the definition of a capital asset, it must be capitalized in the year of acquisition.

**Cause**

The City of Williston did not have the value of the contributed assets available for proper inclusion to the City's capital assets, resulting as a basis for a qualified opinion.

**Effect**

The failure to record material contributed capital from the private developers resulted in materially misstated financial statements and a qualified opinion on the government activities, business-type activities, water fund, and the sewer fund.

**Repeat Finding**

No.

**Recommendation**

We recommend the City of Williston include all capital assets in the financial statements and note disclosures that meet the criteria of a capital asset, whether it's financed with City funds or contributed capital.

**City of Williston's Response**

See Corrective Action Plan.

**CITY OF WILLISTON**

Schedule of Audit Findings and Questioned Costs – Continued

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**2018-004 COMMITMENT SCHEDULE INACCURACIES**

**Condition**

The City of Williston's prepared commitment schedule omitted \$100,035,070 in outstanding commitments related to the airport improvements and consulting services.

**Criteria**

GASB Codification Section 2300.106k states "Notes to the financial statements essential for fair presentation in the basic financial statements include...construction and other significant commitments."

Management is responsible for establishing proper internal control over the preparation of the City's annual financial statements to ensure that the note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

**Cause**

The City engineering department keeps track of the City's commitments and prepares the schedule. The head accountant then reviews the schedule at year end to determine which projects are still ongoing. However, the City engineering department does not keep track of the Airport's commitments. The majority of the errors (\$100,035,070) were caused by management omitting the consulting agreement and the airport's contractual agreements in the City's commitment schedule.

**Effect**

The financial statement note disclosure would continue to be materially misstated if the errors had not been corrected which could negatively influence a user of the financial statements.

**Repeat Finding**

No.

**Recommendation**

We recommend that the City of Williston review the commitment schedule for all current contracts that would be required to be included for adequate disclosure in the City's financial statements. We further recommend that proper internal controls should be developed and implemented to ensure proper presentation of the commitment schedule.

**City of Williston's Response**

See Corrective Action Plan.

**Concluding Auditor's Response**

Paragraph 3.51 of *Government Auditing Standards* issued by the Government Accountability Office states, in part [emphasis added], "**Management** is responsible for the preparation and fair presentation of the financial statements..."

As we noted in the Criteria section above, generally accepted accounting principles require material contract commitments to be disclosed in the notes to the financial statements.

If it weren't for extended audit procedures performed by the State Auditor's Office, the commitment schedule in Note 17 in the notes to the financial statements would not have properly disclosed more than \$100 million in outstanding commitments. When the State Auditor's Office requested a listing of outstanding commitments from management in the initial audit record request and additional correspondence with city staff on October 21, 2019, management did not identify these as commitments.



**2018-005 CONDUIT DEBT**

**Condition**

The City of Williston is not reporting the outstanding balances of its conduit debt obligations as of December 31,2018.

**Criteria**

The Governmental Accounting Standards Board (GASB) guidance on conduit debt Interpretation 2 states in part: Conduit debt obligations should be disclosed in the notes to the financial statements and should include the aggregate amount of all conduit debt obligations outstanding at the balance sheet date.

**Cause**

Management was unaware of its obligation to report conduit debt obligations outstanding at the balance sheet date. Additionally, management was unable to obtain records for conduit debt obligations outstanding at the balance sheet date.

**Effect**

The City of Williston's note disclosure related to conduit debt is misstated by an undetermined amount resulting as a basis for a qualified opinion.

**Repeat Finding**

No.

**Recommendation**

We recommend the City of Williston obtain and maintain records of conduit debt obligations outstanding at the balance sheet date.

**City of Williston's Response**

See Corrective Action Plan.

**SECTION II - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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**2018-006 LATE SUBMISSION**

**Condition**

The City of Williston was not in compliance with airport improvement grant requirements by not submitting form SF-425 by the December 31, 2018 deadline.

**Criteria**

Per the grant agreement for Airport Improvement Program (AIP) Project No. 3-38-0084-003-2017, a signed/dated SF-270 (non-construction) or SF-271 (construction projects) and SF-425 report must be formally submitted annually, due December 31 of each year this grant is open.

**Questioned Costs**

None.

**Cause**

The City lacks internal controls surrounding the timely submission of federal financial reporting requirements.

**Effect**

The City could lose future federal funding or have to pay back federal awards for current projects.

**Repeat Finding**

No.

**Recommendation**

We recommend the City of Williston implement internal controls to ensure federal reporting requirements are met.

**Views of Responsible Officials and Corrective Actions**

See Corrective Action Plan.

**Concluding Auditor's Response**

The compliance requirements the State Auditor's Office reviewed for this airport grant indicated that there is an official deadline for submitting the SF-425 forms. According to professional auditing standards, the State Auditor's Office is also required to identify and test internal controls in place relating to the timely filing of this form. The State Auditor's Office concluded there was a lack of adequate controls in place, which is the reason the State Auditor's Office recommended management implement appropriate controls to provide reasonable assurance that late report submissions do not occur in the future.



**DATE:** November 5, 2019  
**TO:** Joshua C. Gallion, ND State Auditor  
**FROM:** David N. Tuan, City Administrator  
**RE:** Williston Action Plans, 2018 Annual Audit

A handwritten signature in blue ink, appearing to read "David N. Tuan", is written over the "FROM:" line of the header.

Contact Person Responsible for Corrective Action Plans:  
David Tuan, City Administrator

**Section I – Financial Statement Findings**

**2018-001**

Corrective Action Plan:

The City has staff that can and has completed reports in the past; but has elected to have independent auditors complete with time restrictions.

Anticipated Completion Date:

November 5, 2019

**2018-002**

Corrective Action Plan:

The City has staff that can and has completed reports in the past; but has elected to have independent auditors complete with time restrictions.

Anticipated Completion Date:

November 5, 2019

**2018-003**

Corrective Action Plan:

Developers have occasionally been unwilling to provide infrastructure cost data since they felt this would supply competition with their numbers. When this occurred, City engineering staff would provide estimates based on recent bid prices in place of actual costs. The City will continue to work with

developers to collect these infrastructure costs where possible, though estimates may represent some of the cost totals when actual costs cannot be collected.

Anticipated Completion Date:

November 5, 2019

**2018-004**

Corrective Action Plan:

A commitment schedule of outstanding airport related commitments was provided. Outstanding commitments related to the CG Williston, LLC contract were also provided. The City of Williston does not agree with the State Auditor's findings on this matter.

Anticipated Completion Date:

November 1, 2019

**2018-005**

Corrective Action Plan:

The City will attempt to find and/or reach out to all conduit debt holders to obtain and then maintain records on outstanding balances of conduit debt.

Anticipated Completion Date:

November 5, 2019

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

**2018-006**

Corrective Action Plan:

Necessary grant documents were submitted to the FAA within the afforded time. A submittal schedule has been adopted to ensure timely reporting requirements continue to be met. The City of Williston does not agree with the State Auditor's findings on this matter.

Anticipated Completion Date:

November 1, 2019



**2017-001**

**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.

**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.

**Current Status of Recommendation:**

Not implemented. See current finding at 2018-003

**2017-002**

**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.

**Recommendation:**

Due to the City's size, it is not practical to obtain the internal resources necessary to complete external financial reporting.

**Current Status of Recommendation:**

Not implemented. See current finding at 2018-001

A handwritten signature in black ink, appearing to read "John Kautzman".

John Kautzman  
City Auditor, City of Williston



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
FARGO OFFICE BRANCH  
1655 43<sup>RD</sup> STREET SOUTH, SUITE 203.  
FARGO, NORTH DAKOTA 58103

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## GOVERNANCE COMMUNICATION

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williston, North Dakota, for the year ended December 31, 2018 which collectively comprise the City of Williston's basic financial statements, and have issued our report thereon dated November 5, 2019. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance**

As stated in our engagement letter dated July 17, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the City of Williston's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

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 and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

### **Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Williston are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

**CITY OF WILLISTON**

Governance Communication – Continued

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**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below list all misstatements detected as a result of audit procedures that were corrected by management.

<b>GOVERNMENTAL ACTIVITIES</b>		
<b>General Fund</b>		
Deferred Inflows	73,210	
Property Tax Revenue		9,974
Taxes Receivable		60,741
Specials Due from County		2,495
<b>Debt Service Fund</b>		
Special Assessments Receivable	126,544	
Special Assessment Revenue	103,817	
Deferred Inflows		230,361
<b>Capital Projects Fund</b>		
Deferred Inflows	29,968	
Special Assessment Revenue	30,541	
Special Assessments Receivable		60,509
<b>Nonmajor Funds</b>		
Deferred Inflows	21,055	
Taxes Receivable		20,607
Property Tax Revenue		448
<b>BUSINESS-TYPE ACTIVITIES</b>		
<b>Water Fund</b>		
Capital Assets	2,182,119	
Net Pension and OPEB Liability	1,016,762	
Amortization Expense	295,337	
Deferred Outflows - WAWSA	57,011	
Deferred Outflows - Pension and OPEB		674,684
Liability On Cost Shared Infrastructure		1,025,615
Deferred Inflows - Pension and OPEB		124,492
Deferred Inflows - WAWSA		492,255
Salary and Benefits Expense		217,586
Miscellaneous Expense		177,033
Amortization of Deferred Inflows		839,564

**BUSINESS-TYPE ACTIVITIES - CONTINUED**

**Sewer Fund**

Salary and Benefits Expense	175,148	
Deferred Outflows - Pension and OPEB		6,599
Net Pension and OPEB Liability		82,591
Deferred Inflows - Pension and OPEB		85,958

**Nonmajor Funds**

Salary and Benefits Expense	257,603	
Net Pension and OPEB Liability	39,152	
Deferred Outflows - Pension and OPEB		129,692
Deferred Inflows - Pension and OPEB		167,063

**Disagreements with Management**

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

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated November 5, 2019.

**Management Consultations with Other Independent Accountants**

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

**Difficulties Encountered in Performing the Audit**

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

**Other Audit Findings or Issues**

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



**CITY OF WILLISTON**

Governance Communication – Continued

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

Thank you and the employees of City of Williston for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve City of Williston.

/S/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
November 5, 2019

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Division of Local Government Audit

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600 East Boulevard Avenue – Department 117  
Bismarck, ND 58505-0060

(701) 328-2220