

**CITY OF WILLISTON
WILLISTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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CITY OF WILLISTON
OFFICIAL DIRECTORY (UNAUDITED)
AS OF DECEMBER 31, 2019

<u>Names</u>	<u>Office</u>
Howard Klug	President
Brad Bekkedahl	Vice President
Tate Cymbaluk	City Commissioner
Deanette Piesik	City Commissioner
Chris Brostuen	City Commissioner
Hercules Cummings	Finance Director
David Tuan	City Administrator

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williston, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
Water Fund	Qualified
Sewer Fund	Qualified
General Fund	Unmodified
Sales Tax Fund	Unmodified
Capital Projects Fund	Unmodified
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 has not recorded capital assets and related depreciation for infrastructure contributed to the City from developers. Accounting principles generally accepted in the United States of America require that the City record contributed capital for infrastructure contributed from third parties. The amount by which this departure would affect the assets, net position, revenues and expenses of the governmental activities, business-type activities, water fund, sewer fund, and aggregate remaining fund information has not been determined.

The City has not disclosed conduit debt balances as of December 31, 2019. 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Sales Tax, and the Capital Project fund of the City of Williston, as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Sales Tax Fund, and Capital Projects Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, there were prior period adjustments to restate landfill closure costs and bond premiums and discounts.

Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2020 on our consideration of the City of Williston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Williston's internal control over financial reporting and compliance.



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

December 29, 2020

CITY OF WILLISTON
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 35,141,906	\$ 6,576,932	\$ 41,718,838
Accounts Receivable (Net)	3,649,902	1,323,753	4,973,655
Current Portion of Receivable from WAWSA	-	114,583	114,583
Intergovernmental Receivable	44,557,652	-	44,557,652
Taxes Receivable	197,462	-	197,462
Special Assessments Receivable	45,741,374	-	45,741,374
Internal Balances	1,000,000	(1,000,000)	-
Prepaid Items	173,947	-	173,947
Inventory	-	396,603	396,603
Total Current Assets	<u>130,462,243</u>	<u>7,411,871</u>	<u>137,874,114</u>
Restricted Cash and Cash Equivalents	8,346,968	9,266,516	17,613,484
Receivable from WAWSA - Net of Current Portion	-	8,565,000	8,565,000
Other Assets	1,725,000	-	1,725,000
Cost Shared Infrastructure, Net	-	6,843,370	6,843,370
Capital Assets not being Depreciated:			
Land	17,632,917	457,470	18,090,387
Construction in Progress	297,800,283	9,494,412	307,294,695
Capital Assets (Net of Accumulated Depreciation)			
Buildings	31,139,218	173,423,642	204,562,860
Improvements other than Buildings	134,501,363	152,281,428	286,782,791
Equipment	6,367,930	3,620,484	9,988,414
Total Capital Assets (Net of Accumulated Depreciation)	<u>487,441,711</u>	<u>339,277,436</u>	<u>826,719,147</u>
Total Non-Current Assets	<u>497,513,679</u>	<u>363,952,322</u>	<u>861,466,001</u>
Total Assets	<u>627,975,922</u>	<u>371,364,193</u>	<u>999,340,115</u>
DEFERRED OUTFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan & OPEB	9,230,807	1,421,273	10,652,080
Total Deferred Outflows of Resources	<u>9,230,807</u>	<u>1,421,273</u>	<u>10,652,080</u>
LIABILITIES			
Accounts Payable	19,351,493	317,570	19,669,063
Escrow Payable	108,336	-	108,336
Retainage Payable	4,213,246	-	4,213,246
Salaries and Benefits Payable	1,802,375	204,888	2,007,263
Refundable Sales Tax	5,609,596	-	5,609,596
Deposits Payable	-	55,243	55,243
Grant Payable	50,000	-	50,000
Accrued Interest Payable	1,137,337	712,643	1,849,980
Long-Term Liabilities Due Within One Year	8,819,534	6,030,006	14,849,540
Current Portion of Liability for Cost Shared Infrastructure	-	237,215	237,215
Noncurrent Liabilities:			
Revenue Bonds Payable	73,282,741	103,698,182	176,980,923
Certificate of Indebtedness	59,991,807	-	59,991,807
Special Assessment Bonds Payable	49,770,000	-	49,770,000
Bond Discounts	(489,939)	-	(489,939)
Bond Premiums	2,553,464	-	2,553,464
Cost Shared Infrastructure	-	6,788,504	6,788,504
Landfill Closure Costs	-	2,212,032	2,212,032
Net Pension Liability & OPEB	14,052,441	2,615,620	16,668,061
Compensated Absences Payable	2,175,320	365,725	2,541,045
Less Amounts Due within One Year	(8,819,534)	(6,267,221)	(15,086,755)
Total Liabilities	<u>233,608,217</u>	<u>116,970,407</u>	<u>350,578,624</u>
DEFERRED INFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan & OPEB	8,440,101	1,539,338	9,979,439
Deferred Inflows - Western Area Water Supply Authority	-	75,249,080	75,249,080
Total Deferred Inflows of Resources	<u>8,440,101</u>	<u>76,788,418</u>	<u>85,228,519</u>
NET POSITION			
Net Investment in Capital Assets	347,890,392	160,385,040	508,275,432
Restricted for:			
Urban and Economic Development	13,943,289	-	13,943,289
Culture and Recreation	1,030,447	-	1,030,447
Public Works	100,822	-	100,822
Airport	43,864,709	-	43,864,709
Public Safety	26,025,711	-	26,025,711
Health and Welfare	447,466	-	447,466
Debt Service	71,139,206	9,266,516	80,405,722
Unrestricted	(109,283,631)	9,375,085	(99,908,546)
Total Net Position	<u>\$ 395,158,411</u>	<u>\$ 179,026,641</u>	<u>\$ 574,185,052</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating</u>	<u>Capital</u>	<u>Primary Government</u>		
			<u>Grants and Contributions</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government:							
Governmental Activities:							
General Government	\$ 21,796,995	\$ 2,976,791	\$ 9,076	\$ -	\$ (18,811,128)	\$ -	\$ (18,811,128)
Public Safety	20,952,967	3,589,982	24,278	-	(17,338,707)	-	(17,338,707)
Public Works	17,928,601	300,054	2,223,195	3,271,914	(12,133,438)	-	(12,133,438)
Health and Welfare	746,721	780,335	-	-	33,614	-	33,614
Culture and Recreation	11,163,461	213,655	1,479	-	(10,948,327)	-	(10,948,327)
Economic Development	1,806,608	-	-	-	(1,806,608)	-	(1,806,608)
Airport	3,171,414	2,325,736	169,192	71,274,489	70,598,003	-	70,598,003
Interest and Fees	6,960,499	-	-	-	(6,960,499)	-	(6,960,499)
Total Governmental Activities	<u>84,527,266</u>	<u>10,186,553</u>	<u>2,427,220</u>	<u>74,546,403</u>	<u>2,632,910</u>	<u>-</u>	<u>2,632,910</u>
Business-type Activities:							
Water	12,407,977	9,011,659	-	772,694	-	(2,623,624)	(2,623,624)
Sewer	8,716,879	1,431,835	-	-	-	(7,285,044)	(7,285,044)
Landfill	1,814,785	2,746,864	-	-	-	932,079	932,079
Refuse	2,761,881	2,809,319	-	-	-	47,438	47,438
Total Business-type Activities	<u>25,701,522</u>	<u>15,999,677</u>	<u>-</u>	<u>772,694</u>	<u>-</u>	<u>(8,929,151)</u>	<u>(8,929,151)</u>
Total Primary Government	\$ <u>110,228,788</u>	\$ <u>26,186,230</u>	\$ <u>2,427,220</u>	\$ <u>75,319,097</u>			
General Revenues:							
Property Taxes							
Property Taxes, Levied for General Purposes					4,578,786	-	4,578,786
Other Taxes					37,652,210	-	37,652,210
City Sales Tax					32,622,727	-	32,622,727
Cable Franchise Tax					315,286	-	315,286
Unrestricted State Aid					1,903,583	-	1,903,583
Interest					459,592	-	459,592
Oil and Gas Royalties					1,478,325	137,704	1,616,029
Refunds and Reimbursements					2,104,479	-	2,104,479
Miscellaneous Revenue					285,997	-	285,997
Transfers					(11,598,826)	11,598,826	-
Total General Revenues and Transfers					<u>69,802,159</u>	<u>11,736,530</u>	<u>81,538,689</u>
Change in Net Position					72,435,069	2,807,379	75,242,448
Net Position - Beginning					<u>324,485,608</u>	<u>177,122,789</u>	<u>501,608,397</u>
Prior Period Restatements - See Note 20					<u>(1,762,266)</u>	<u>(903,527)</u>	<u>(2,665,793)</u>
Net Position - Beginning As Restated					<u>322,723,342</u>	<u>176,219,262</u>	<u>498,942,604</u>
Net Position - Ending					\$ <u>395,158,411</u>	\$ <u>179,026,641</u>	\$ <u>574,185,052</u>

See Notes to the Financial Statements

CITY OF WILLISTON
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Sales Tax	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,785,132	\$ 8,626,776	\$ -	\$ 20,729,998	\$ 35,141,906
Accounts receivable, net	2,266,212	-	96,458	1,287,232	3,649,902
Intergovernmental receivable	2,961,294	4,403,875	35,457,671	1,734,812	44,557,652
Taxes receivable	180,309	-	-	17,153	197,462
Special assessments receivable	25,509	-	56,057	45,659,808	45,741,374
Due from other funds	67,000,000	-	-	24,501,132	91,501,132
Interfund loans receivable	-	-	-	181,554	181,554
Restricted cash and investments	-	-	-	8,346,968	8,346,968
Prepaid items	-	-	-	173,947	173,947
Other assets	-	-	-	1,725,000	1,725,000
Total Assets	<u>\$ 78,218,456</u>	<u>\$ 13,030,651</u>	<u>\$ 35,610,186</u>	<u>\$ 104,357,604</u>	<u>\$ 231,216,897</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,638,134	\$ 1,500	\$ 17,455,859	\$ 256,000	\$ 19,351,493
Escrow payable	108,336	-	-	-	108,336
Retainage payable	-	-	4,213,246	-	4,213,246
Salaries and benefits payable	1,503,890	-	-	298,485	1,802,375
Refundable sales tax	-	4,908,396	-	701,200	5,609,596
Due to other funds	-	-	90,501,132	-	90,501,132
Interfund loans payable	181,554	-	-	-	181,554
Grant payable	-	-	-	50,000	50,000
Total Liabilities	<u>3,431,914</u>	<u>4,909,896</u>	<u>112,170,237</u>	<u>1,305,685</u>	<u>121,817,732</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	180,309	-	-	17,153	197,462
Unavailable revenue - special assessments	5,526	-	25,021	44,175,084	44,205,631
Total Deferred Inflows of Resources:	<u>185,835</u>	<u>-</u>	<u>25,021</u>	<u>44,192,237</u>	<u>44,403,093</u>
FUND BALANCES					
Nonspendable - Prepaid	-	-	-	173,947	173,947
Restricted	48,980,334	8,120,755	-	74,967,693	132,068,782
Assigned	-	-	-	453,262	453,262
Unassigned	25,620,373	-	(76,585,072)	(16,735,220)	(67,699,919)
Total Fund Balances	<u>74,600,707</u>	<u>8,120,755</u>	<u>(76,585,072)</u>	<u>58,859,682</u>	<u>64,996,072</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 78,218,456</u>	<u>\$ 13,030,651</u>	<u>\$ 35,610,186</u>	<u>\$ 104,357,604</u>	<u>\$ 231,216,897</u>

See Notes to the Financial Statements

CITY OF WILLISTON
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total Governmental Funds Balances \$ 64,996,072

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

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

Capital Assets	\$ 540,986,697	
Accumulated Depreciation	<u>(53,544,986)</u>	487,441,711

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

Property taxes	197,462	
Special assessments	<u>44,205,631</u>	44,403,093

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

Deferred outflows	9,230,807	
Deferred inflows	<u>(8,440,101)</u>	790,706

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

Revenue bonds payable	(73,282,741)	
Certificates of indebtedness	(59,991,807)	
Special assessment bonds payable	(49,770,000)	
Bond premiums	(2,553,464)	
Bond discounts	489,939	
Interest payable	(1,137,337)	
Net OPEB liability	(1,135,080)	
Net pension liability	(12,917,361)	
Compensated absences	<u>(2,175,320)</u>	<u>(202,473,171)</u>

Net Position of Governmental Activities \$ 395,158,411

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Sales Tax	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 34,738,123	\$ 18,040,381	\$ -	\$ 22,390,503	\$ 75,169,007
Special assessments	-	-	88,736	4,923,048	5,011,784
Licenses, permits and fees	635,150	-	-	-	635,150
Intergovernmental	2,008,161	-	72,934,191	1,078,171	76,020,523
Intragovernmental	1,174,530	-	-	-	1,174,530
Charges for services	2,551,805	45,000	91,200	4,692,919	7,380,924
Fines, forfeitures and penalties	979,277	-	-	16,671	995,948
Interest	204,276	69,208	28,453	157,655	459,592
Oil and gas royalties	1,478,325	-	-	-	1,478,325
Refunds and reimbursements	1,568,888	-	281,159	254,432	2,104,479
Miscellaneous	283,659	-	-	2,336	285,995
Total Revenues	<u>45,622,194</u>	<u>18,154,589</u>	<u>73,423,739</u>	<u>33,515,735</u>	<u>170,716,257</u>
EXPENDITURES					
Current:					
General government	9,297,739	-	-	1,276,533	10,574,272
Public safety	11,673,230	-	-	6,703,550	18,376,780
Public works	6,536,591	-	-	6,265	6,542,856
Health and welfare	-	-	-	746,721	746,721
Culture and recreation	-	-	-	743,787	743,787
Urban and Economic development	496,268	10,354,507	-	1,310,340	12,161,115
Airport	2,422,917	-	-	-	2,422,917
Capital Outlay	2,437,023	-	179,719,717	701,930	182,858,670
Debt Service:					
Principal retirement	175,000	-	-	9,200,000	9,375,000
Interest and fees	17,198	4,244	43,649	6,952,073	7,017,164
Total Expenditures	<u>33,055,966</u>	<u>10,358,751</u>	<u>179,763,366</u>	<u>27,641,199</u>	<u>250,819,282</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>12,566,228</u>	<u>7,795,838</u>	<u>(106,339,627)</u>	<u>5,874,536</u>	<u>(80,103,025)</u>
OTHER FINANCING SOURCES (USES)					
Sale of assets	18,678	-	-	51,650	70,328
Debt issued	-	-	15,127,741	-	15,127,741
Bond premiums (discounts)	-	-	4,535	-	4,535
Transfers in	3,453,267	-	31,937,511	9,146,844	44,537,622
Transfers out	(24,168,134)	(12,812,213)	(2,639,782)	(9,017,408)	(48,637,537)
Total other financing sources and uses	<u>(20,696,189)</u>	<u>(12,812,213)</u>	<u>44,430,005</u>	<u>181,086</u>	<u>11,102,689</u>
Net Change in Fund Balances	<u>(8,129,961)</u>	<u>(5,016,375)</u>	<u>(61,909,622)</u>	<u>6,055,622</u>	<u>(69,000,336)</u>
Fund Balances - Beginning	82,730,668	14,539,529	(14,150,450)	53,271,527	136,391,274
Prior Period Adjustment - See Note 20	-	(1,402,399)	(525,000)	(467,467)	(2,394,866)
Fund Balance - Beginning, As Restated	<u>82,730,668</u>	<u>13,137,130</u>	<u>(14,675,450)</u>	<u>52,804,060</u>	<u>133,996,408</u>
Fund Balances - Ending	<u>\$ 74,600,707</u>	<u>\$ 8,120,755</u>	<u>\$ (76,585,072)</u>	<u>\$ 58,859,682</u>	<u>\$ 64,996,072</u>

See Notes to the Financial Statements

CITY OF WILLISTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (69,000,336)

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

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

Capital Outlays	167,846,772
Depreciation Expense	(7,158,673)

Net book value of assets disposed (8,758,152)

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

Property Taxes	41,008
Special Assessments	(2,196,110)

Proceeds from long-term debt provides financial resources to the governmental funds but the issuance increases long-term liabilities in the statement of net position. (15,127,741)

Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position. Loan proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the Statement of Net Position.

Principal Debt Payments	9,375,000
Amortization of bond premium & discounts	318,629

Changes of the Net Pension Liability and OPEB are expenditures in the governmental funds, but the change reduces long-term liabilities in the statement of net position. 5,967,906

Changes in deferred outflows and inflows of resources related to the net pension liability. (8,117,155)

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

Accrued Vacation Payable	(489,581)
Interest	(266,498)

Changes in Net Position \$ 72,435,069

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Property taxes	\$ 4,964,750	\$ 4,914,539	\$ (50,211)
Licenses, permits and fees	589,950	632,605	42,655
Intergovernmental	2,002,100	1,838,969	(163,131)
Intragovernmental	1,045,800	1,174,530	128,730
Charges for services	33,500	-	(33,500)
Fines, forfeitures and penalties	1,007,800	950,102	(57,698)
Interest	10,000	110,820	100,820
Refunds and reimbursements	200,000	1,568,844	1,368,844
Miscellaneous	<u>251,800</u>	<u>141,900</u>	<u>(109,900)</u>
Total Revenues	<u>10,105,700</u>	<u>11,431,002</u>	<u>1,325,302</u>
EXPENDITURES			
Current:			
General government	9,861,866	9,074,389	787,477
Public safety	12,716,532	11,550,412	1,166,120
Public works	7,585,894	5,985,860	1,600,034
Economic development	479,015	496,268	(17,253)
Capital Outlay	2,438,350	2,275,963	162,387
Debt Service:			
Interest and fees	<u>-</u>	<u>12,096</u>	<u>(12,096)</u>
Total Expenditures	<u>33,081,657</u>	<u>29,394,988</u>	<u>3,686,669</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(22,975,957)</u>	<u>(17,963,986)</u>	<u>5,011,971</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,022,000	2,955,962	(66,038)
Transfers out	<u>-</u>	<u>(643,680)</u>	<u>(643,680)</u>
Total Other Financing Sources and Uses	<u>3,022,000</u>	<u>2,328,401</u>	<u>(693,599)</u>
Net Change in Fund Balances	(19,953,957)	(15,635,585)	4,318,372
Fund Balances - Beginning	<u>41,272,502</u>	<u>41,272,502</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 21,318,545</u>	<u>\$ 25,636,917</u>	<u>\$ 4,318,372</u>
General Fund in Addition to Fund 100:			
General fund		\$ 25,636,917	
Planning study		(16,544)	
Parking Authority		100,822	
City building		587,115	
Customer Facility Charges		997,568	
Police Auction Forfeitures		28,853	
Airport		<u>47,265,976</u>	
Total General Fund		<u>\$ 74,600,707</u>	

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
REVENUES			
Sales taxes	\$ 18,500,000	\$ 18,040,381	\$ (459,619)
Charges for services	-	45,000	(45,000)
Interest	<u>6,000</u>	<u>69,208</u>	<u>63,208</u>
Total Revenues	<u>18,506,000</u>	<u>18,154,589</u>	<u>(441,411)</u>
EXPENDITURES			
Current:			
Urban and Economic Development	9,000,000	10,354,507	(1,354,507)
Debt Service:			
Interest and fees	<u>-</u>	<u>4,244</u>	<u>(4,244)</u>
Total Expenditures	<u>9,000,000</u>	<u>10,358,751</u>	<u>(1,358,751)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,506,000</u>	<u>7,795,838</u>	<u>(1,710,162)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>-</u>	<u>(12,812,213)</u>	<u>(12,812,213)</u>
Total Other Financing Sources and Uses	<u>-</u>	<u>(12,812,213)</u>	<u>12,812,213</u>
Net Change in Fund Balances	<u>9,506,000</u>	<u>(5,016,375)</u>	<u>(14,522,375)</u>
Fund Balances - Beginning	14,539,529	14,539,529	-
Prior Period Adjustment - See Note 20	<u>-</u>	<u>(1,402,399)</u>	<u>(1,402,399)</u>
Fund Balances - Ending	<u>\$ 24,045,529</u>	<u>\$ 8,120,755</u>	<u>\$ (15,924,774)</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-Major	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,265,730	\$ -	\$ 4,311,202	\$ 6,576,932
Accounts receivable (net)	578,527	151,374	593,852	1,323,753
Due from other funds	-	-	1,182,007	1,182,007
Current portion of receivable from WAWSA	114,583	-	-	114,583
Inventory	<u>378,301</u>	<u>18,302</u>	<u>-</u>	<u>396,603</u>
Total Current Assets	<u>3,337,141</u>	<u>169,676</u>	<u>6,087,061</u>	<u>9,593,878</u>
Non-Current Assets:				
Restricted cash and cash equivalents	1,629,375	5,425,109	2,212,032	9,266,516
Receivable from WAWSA - net of current portion	8,565,000	-	-	8,565,000
Cost Shared Infrastructure	6,843,370	-	-	6,843,370
Capital assets:				
Land	377,956	-	79,514	457,470
Construction in Progress	4,133,752	5,360,660	-	9,494,412
Capital assets (net of accumulated depreciation):				
Buildings	76,882,381	94,166,596	2,374,665	173,423,642
Improvements other than buildings	61,400,126	84,410,046	6,471,256	152,281,428
Equipment	<u>426,408</u>	<u>689,675</u>	<u>2,504,401</u>	<u>3,620,484</u>
Total Non-Current Assets	<u>160,258,368</u>	<u>190,052,086</u>	<u>13,641,868</u>	<u>363,952,322</u>
Total Assets	<u>163,595,509</u>	<u>190,221,762</u>	<u>19,728,929</u>	<u>373,546,200</u>
DEFERRED OUTFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	<u>533,381</u>	<u>294,390</u>	<u>593,502</u>	<u>1,421,273</u>
Total Deferred Outflows of Resources	<u>533,381</u>	<u>294,390</u>	<u>593,502</u>	<u>1,421,273</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	131,306	72,639	113,625	317,570
Salaries and benefits payable	85,335	38,257	81,296	204,888
Deposits payable	55,243	-	-	55,243
Due to other funds	1,000,000	1,182,007	-	2,182,007
Accrued interest payable	71,970	640,673	-	712,643
Revenue bonds payable	1,410,000	4,372,306	-	5,782,306
Current portion of liability on cost shared infrastructure	237,215	-	-	237,215
Compensated absences	<u>97,400</u>	<u>46,600</u>	<u>103,700</u>	<u>247,700</u>
Total Current Liabilities	<u>3,088,469</u>	<u>6,352,482</u>	<u>298,621</u>	<u>9,739,572</u>
Non-Current Liabilities:				
Revenue bonds payable	7,155,000	90,760,876	-	97,915,876
Liability for cost shared infrastructure	6,551,289	-	-	6,551,289
Net pension liability	974,986	543,686	1,096,948	2,615,620
Accrued closure and postclosure liability	-	-	2,212,032	2,212,032
Compensated absences	<u>81,410</u>	<u>28</u>	<u>36,587</u>	<u>118,025</u>
Total Non-Current Liabilities	<u>14,762,685</u>	<u>91,304,590</u>	<u>3,345,567</u>	<u>109,412,842</u>
Total Liabilities	<u>17,851,154</u>	<u>97,657,072</u>	<u>3,644,188</u>	<u>119,152,414</u>
DEFERRED INFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	605,437	310,839	623,062	1,539,338
Deferred Inflows - Western Area Water Supply Authority	<u>75,249,080</u>	<u>-</u>	<u>-</u>	<u>75,249,080</u>
Total Deferred Inflows of Resources	<u>75,854,517</u>	<u>310,839</u>	<u>623,062</u>	<u>76,788,418</u>
NET POSITION				
Net Investment in Capital Assets	59,461,409	89,493,795	11,429,836	160,385,040
Restricted	1,629,375	5,425,109	2,212,032	9,266,516
Unrestricted	<u>9,332,435</u>	<u>(2,370,663)</u>	<u>2,413,313</u>	<u>9,375,085</u>
Total Net Position	<u>\$ 70,423,219</u>	<u>\$ 92,548,241</u>	<u>\$ 16,055,181</u>	<u>\$ 179,026,641</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Non-Major	Current Year
OPERATING REVENUES:				
Charges for services	\$ 8,974,483	\$ 1,421,387	\$ 5,530,495	\$ 15,926,365
Miscellaneous	37,176	10,448	25,688	73,312
Total Operating Revenues	<u>9,011,659</u>	<u>1,431,835</u>	<u>5,556,183</u>	<u>15,999,677</u>
OPERATING EXPENSES:				
Salaries and benefits	2,057,231	1,015,210	2,234,417	5,306,858
Materials and supplies	5,979,643	1,024,591	849,917	7,854,151
Contractual services	266,768	76,393	412,753	755,914
Depreciation	3,365,649	4,104,326	1,045,105	8,515,080
Amortization	210,512	-	-	210,512
Miscellaneous	70,011	24,149	34,474	128,634
Total Operating Expenses	<u>11,949,814</u>	<u>6,244,669</u>	<u>4,576,666</u>	<u>22,771,149</u>
Operating Income (Loss)	<u>(2,938,155)</u>	<u>(4,812,834)</u>	<u>979,517</u>	<u>(6,771,472)</u>
NON-OPERATING REVENUES (EXPENSES):				
Oil and gas royalties	137,704	-	-	137,704
Interest and service charges	(95,523)	(2,472,210)	-	(2,567,733)
Amortization of WAWSA deferred inflows	772,694	-	-	772,694
Amortization of Cost Shared Infrastructure	(362,640)	-	-	(362,640)
Total Non-Operating Revenues (Expenses)	<u>452,235</u>	<u>(2,472,210)</u>	<u>-</u>	<u>(2,019,975)</u>
Income (Loss) before contributions and transfers	<u>(2,485,920)</u>	<u>(7,285,044)</u>	<u>979,517</u>	<u>(8,791,447)</u>
Capital contributions	5,169,097	2,314,634	15,180	7,498,911
Transfers in	-	8,302,621	-	8,302,621
Transfers out	(758,927)	(1,406,963)	(2,036,816)	(4,202,706)
Changes in Net Position	1,924,250	1,925,248	(1,042,119)	2,807,379
Total Net Position - Beginning	68,498,969	90,622,993	18,000,827	177,122,789
Prior Period Adjustment - See Note 20	-	-	(903,527)	(903,527)
Total Net Position - Beginning, as Restated	<u>68,498,969</u>	<u>90,622,993</u>	<u>17,097,300</u>	<u>176,219,262</u>
Total Net Position - Ending	<u>\$ 70,423,219</u>	<u>\$ 92,548,241</u>	<u>\$ 16,055,181</u>	<u>\$ 179,026,641</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-Major Funds	Totals Current Year
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 9,045,946	\$ 1,428,392	\$ 5,703,096	\$ 16,177,434
Payments to Suppliers	(6,792,483)	(1,096,466)	(1,128,189)	(9,017,138)
Payments to Employees	(1,850,014)	(920,469)	(2,036,057)	(4,806,540)
Other Operating Revenue	37,176	10,448	25,688	73,312
Net Cash Provided (Used) by Operating Activities	<u>440,625</u>	<u>(578,095)</u>	<u>2,564,538</u>	<u>2,427,068</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	-	8,302,621	-	8,302,621
Transfers Out	(758,927)	(1,406,963)	(2,036,816)	(4,202,706)
Due to/from other Funds	-	1,182,007	(1,182,007)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(758,927)</u>	<u>8,077,665</u>	<u>(3,218,823)</u>	<u>4,099,915</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(30,917)	(162,089)	(1,202,328)	(1,395,334)
Payment on Cost Shared Infrastructure Liability	(539,561)	-	-	(539,561)
Proceeds from Capital Debt	-	1,074,777	-	1,074,777
Principal Payments on Long-Term Debt	(1,375,000)	(4,820,000)	-	(6,195,000)
Reimbursement from WAWSA for Debt Payments	1,372,083	-	-	1,372,083
Proceeds from Oil and Gas Royalties	137,704	-	-	137,704
Interest and Fiscal Charges on Debt	(106,619)	(2,491,563)	-	(2,598,182)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(542,310)</u>	<u>(6,398,875)</u>	<u>(1,202,328)</u>	<u>(8,143,513)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(860,612)	1,100,695	(1,856,613)	(1,616,530)
Cash and Cash Equivalents, January 1	<u>4,755,717</u>	<u>4,324,414</u>	<u>8,379,847</u>	<u>17,459,978</u>
Cash and Cash Equivalents, December 31	<u>\$ 3,895,105</u>	<u>\$ 5,425,109</u>	<u>\$ 6,523,234</u>	<u>\$ 15,843,448</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (2,938,155)	\$ (4,812,834)	\$ 979,517	\$ (6,771,472)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	3,576,161	4,104,326	1,045,105	8,725,592
Changes in Assets and Liabilities:				
Accounts Receivable	73,678	7,005	170,648	251,331
Inventory	18,186	741	-	18,927
Deferred Pension Outflows	125,331	62,665	125,330	313,326
Accounts Payable	(494,247)	27,926	45,913	(420,408)
Deposits Payable	(2,215)	-	1,953	(262)
Salaries and Benefits Payable	(147,981)	(40,081)	(118,314)	(306,376)
Compensated Absences	178,810	46,628	140,287	365,725
Net Pension Liability	(361,284)	(180,642)	(361,284)	(903,210)
Deferred Pension Inflows	412,341	206,171	412,341	1,030,853
Closure/Post Closure Costs	-	-	123,042	123,042
Net Cash Provided (Used) by Operating Activities	<u>\$ 440,625</u>	<u>\$ (578,095)</u>	<u>\$ 2,564,538</u>	<u>\$ 2,427,068</u>
Noncash Investing, Capital, and Financing Activities				
Contribution of Capital Assets from Capital Project Funds	\$ 5,169,097	\$ 2,314,634	\$ 15,180	\$ 7,498,911
Cost Shared Infrastructure Acquired with Deferred Inflows of Resources	2,870,931	-	-	2,870,931

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS
DECEMBER 31, 2019

	<u>Total</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 12,778
Intergovernmental Receivable	<u>92,875</u>
Total Current Assets	<u>\$ 105,653</u>
LIABILITIES	
Current Liabilities:	
Due to Other Agencies	<u>\$ 105,653</u>
Total Liabilities	<u>\$ 105,653</u>

See Notes to the Financial Statements

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation

Government-Wide Statements – The statement of net position and the statement of activities display information about the primary government, the City of Williston. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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.

The City reports the following major enterprise funds:

Water Fund – This fund accounts for the activity of the Water Department. The department operates the water treatment plant and water distribution system in the City of Williston.

Sewer Fund – This fund accounts for the activities of the Sewer Department. This department operates the sewage treatment plant, sewage pumping stations and collection systems in the City of Williston.

Additionally, the City reports the following fund types:

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

Measurement Focus and Basis of Accounting

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

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

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

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

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

Budgets

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

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

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

Cash and Cash Equivalents

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

Taxes Receivable

The taxes receivable represents the past two years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable. As of December 31, 2019, all accounts are considered collectible.

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

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

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

Special Assessments Receivable

Special assessments receivable consists of uncollected special assessments due to the City at December 31, 2019 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, 2019, all accounts are considered collectible.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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 buildings, 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
Plant and Equipment	5-30 Years
Improvements other than buildings	50 Years

Inventories

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

Refundable Sales Tax

The City has recorded a liability for amounts due to the State for adjustments made to sales tax collections for the years 2017 through 2019. A portion of this balance was repaid in May of 2020 with the remaining balance to be paid off in 13 monthly installments from June 2020 to June 2021. One half of this balance represents the Park District's share which is included in intergovernmental receivables as the City will collect from the Park District and remit to the State.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Other Post Employment Benefits (OPEB)

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

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 three items reported on the statement of net position. The first items, the *cost sharing defined benefit pension plan*, and *cost sharing defined benefit OPEB plan* which represents actuarial differences within the North Dakota Employee Retirement System (NDPERS) pension plan and NDPERS OPEB 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 three items reported on the statement of net position. The first items, the *cost sharing defined benefit pension plan and cost sharing defined benefit OPEB plan*, which represents actuarial differences within the NDPERS pension plans and OPEB plan. The third, 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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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 for employees hired before December 31, 2018, unused sick leave will be paid at a rate of 50% of the employee's regular pay rate for unused days.

For non-exempt hourly employees eligible for the Public Safety Retirement Plan, compensatory time may carry over and is payable at termination of employment or retirement.

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.

Fund Balance

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

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

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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 Finance Director.

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.

Pensions

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

Estimates

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

NOTE 2 LEGAL COMPLIANCE

Budget Amendments

The City's governing board did not amend the City budgets for the year ended December 31, 2019.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Fund Deficits

The following funds were in a deficit position at December 31, 2019:

Capital Project	\$ 76,585,072
Special Assess-City Property	863,942
Cemetery	11,485
Ambulance	4,003,284
911 Communications	10,045
Old Armory	20,550
2004 Refunding	43,302
2006 Refunding	63,057
2015 Refunding	395,224
2016 Refunding	639,181
2017A TIF Rev Bond	382,060
2017B TIF Rev Bond	2,083,808
2017 Refunding	1,620,701
2017 BND Certificate	3,386,389
2019 Refunding Bond	2,744,725
	<u>\$ 92,852,825</u>

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

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the City maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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

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

At December 31, 2019, the City's carrying amount of deposits was \$59,345,100 and the bank balance was \$65,055,966. The City's balances were fully collateralized as of December 31, 2019.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Credit Risk

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

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

As of December 31, 2019, the City's cash and cash equivalents include amounts in demand deposits, money market accounts, and highly liquid investments with an original maturity of three month or less.

NOTE 4 RESTRICTED CASH AND CASH EQUIVALENTS

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

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonmajor Governmental	Debt Service	\$ 8,346,968
Water Fund	Debt Service	1,629,375
Sewer Fund	Debt Service	5,425,109
Nonmajor Proprietary	Landfill Closure and Post-Closure Costs	<u>2,212,032</u>
		<u>\$ 17,613,484</u>

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts on open account from individuals for goods and services furnished by the City. The carrying amount of the accounts receivable is reduced by an amount that reflects management's best estimates of the amounts that will not be collected. The City had allowances for uncollectible accounts totaling \$1,058,013 for governmental activities accounts receivable and \$55,725 for business-type activities accounts receivable recorded at December 31, 2019.

NOTE 6 INTERGOVERNMENTAL RECEIVABLE

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 7 CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Non-Depreciable:				
Land	\$ 14,478,867	\$ 3,154,050	\$ -	\$ 17,632,917
Construction in progress	135,539,431	162,494,569	233,717	297,800,283
Total Non-Depreciable:	<u>150,018,298</u>	<u>165,648,619</u>	<u>233,717</u>	<u>315,433,200</u>
Capital Assets, Depreciable:				
Buildings	39,320,446	133,015	1,157,891	38,295,570
Improvements other than buildings	1,875,639	51,195	11,051	1,915,783
Equipment	26,169,058	2,013,943	1,436,434	26,746,567
Infrastructure	170,744,057	233,717	12,382,189	158,595,585
Total Capital Assets, being depreciated	<u>238,109,200</u>	<u>2,431,870</u>	<u>14,987,565</u>	<u>225,553,505</u>
Less Accumulated Depreciation for:				
Buildings	6,846,922	765,168	455,738	7,156,352
Improvements other than buildings	683,258	54,245	10,164	727,339
Equipment	18,354,629	3,129,242	1,105,234	20,378,637
Infrastructure	26,730,921	3,210,018	4,658,273	25,282,666
Total Accumulated Depreciation	<u>52,615,730</u>	<u>7,158,673</u>	<u>6,229,409</u>	<u>53,544,994</u>
Total capital assets being depreciated, net	<u>185,493,470</u>	<u>(4,726,803)</u>	<u>8,758,156</u>	<u>172,008,511</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 335,511,768</u>	<u>\$ 160,921,816</u>	<u>\$ 8,991,873</u>	<u>\$ 487,441,711</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Business-type Activities</u>				
Capital Assets, Non-Depreciable:				
Land	\$ 457,470	\$ -	\$ -	\$ 457,470
Construction in Progress	12,254,209	5,481,643	8,241,440	9,494,412
Total Non-Depreciable	<u>12,711,679</u>	<u>5,481,643</u>	<u>8,241,440</u>	<u>9,951,882</u>
Capital Assets, Depreciable:				
Buildings	192,428,615	2,870,931	-	195,299,546
Improvements other than buildings	168,073,377	10,258,707	-	178,332,084
Equipment	13,376,091	1,395,334	745,053	14,026,372
Total Capital Assets, being depreciated	<u>373,878,083</u>	<u>14,524,972</u>	<u>745,053</u>	<u>387,658,002</u>
Less Accumulated Depreciation for:				
Buildings	18,027,332	3,848,572	-	21,875,904
Improvements other than buildings	22,621,070	3,429,586	-	26,050,656
Equipment	9,914,019	1,236,922	745,053	10,405,888
Total Accumulated Depreciation	<u>50,562,421</u>	<u>8,515,080</u>	<u>745,053</u>	<u>58,332,448</u>
Total capital assets being depreciated, net	<u>323,315,662</u>	<u>6,009,892</u>	<u>-</u>	<u>329,325,554</u>
Total Business-type Activities Capital Assets, Net	<u>\$ 336,027,341</u>	<u>\$ 11,491,535</u>	<u>\$ 8,241,440</u>	<u>\$ 339,277,436</u>

Depreciation expense was charged to Governmental functions as follows:

General Government	\$ 281,443
Public Safety	2,190,809
Public Works	3,872,757
Culture and Recreation	65,167
Public Services	748,497
Total Depreciation Expense	<u>\$ 7,158,673</u>

Depreciation expense was charged to Business Type functions as follows:

Water	\$ 3,365,649
Sewer	4,104,326
Landfill	510,375
Refuse	534,730
Total Depreciation Expense	<u>\$ 8,515,080</u>

As of December 31, 2019, the City had outstanding commitments of approximately \$40.1 million related to construction projects.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 8 LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Balance 1/1/2019 <u>Restated</u>	Debt <u>Issued</u>	Retirements <u>2019</u>	Balance <u>12/31/19</u>	Due Within <u>One Year</u>
<u>Governmental Activities:</u>					
General Obligation	\$ 175,000	\$ -	\$ 175,000	\$ -	\$ -
Revenue Bonds	76,280,000	2,982,741	5,980,000	73,282,741	5,912,698
Bond Premiums	2,913,722	-	360,258	2,553,464	(364,793)
Bond Discounts	(531,568)	41,629	-	(489,939)	41,629
Net Pension Liability	18,986,785	-	6,069,424	12,917,361	-
Net OPEB Liability	1,033,562	101,518	-	1,135,080	-
Compensated Absences	1,685,739	1,624,534	1,134,953	2,175,320	-
Certificate of Indebtedness	48,991,807	11,000,000	-	59,991,807	-
Special Assessment	51,845,000	1,145,000	3,220,000	49,770,000	3,230,000
Governmental Activities Long-Term Liabilities	<u>\$ 201,380,047</u>	<u>\$ 16,895,422</u>	<u>\$ 16,939,635</u>	<u>\$ 201,335,834</u>	<u>\$ 8,819,534</u>
<u>Business-Type Activities:</u>					
Revenue Bonds	\$ 108,818,405	\$ 1,074,777	\$ 6,195,000	\$ 103,698,182	\$ 5,782,306
WAWSA - Cost Shared Infrastructure	5,830,915	957,589	-	6,788,504	237,215
Net Pension Liability	3,281,404	-	928,590	2,352,814	-
Net OPEB Liability	237,426	25,380	-	262,806	-
Landfill Closure Costs	2,088,989	123,043	-	2,212,032	-
Compensated Absences	321,150	278,456	233,881	365,725	247,700
Business-Type Activity Long-Term Liabilities	<u>\$ 120,578,289</u>	<u>\$ 2,459,245</u>	<u>\$ 7,357,471</u>	<u>\$ 115,680,063</u>	<u>\$ 6,267,221</u>

In the governmental activities, compensated absences, certificates of indebtedness, OPEB, and net pension liability are generally liquidated through the general fund or applicable nonmajor governmental fund.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Outstanding debt at December 31, 2019 (excluding compensated absences, landfill post closure liability, OPEB, and net pension liability) consisted of the following issues:

	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/19	Amounts Due in 2020	
							Principal	Interest
Governmental Activities:								
General Obligation Bonds:								
Airport Revenue Bonds 2004A	2004	4.50%		\$ 1,215,000	\$ 105,000	\$ -	\$ -	\$ -
Airport Revenue Bonds 2004B	2004	4.50%		800,000	70,000	-	-	-
					<u>\$ 175,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenue Bond								
2015A Public Safety Sales Tax	2015	4.55%	2020/25	24,530,000	\$ 2,020,000	\$ 16,900,000	\$ 2,105,000	\$ 779,350
2017A TIF Revenue Bond	2017	4.75-6.0%	2025/35	10,280,000	-	10,280,000	-	570,138
2017B TIF Revenue Bond	2017	3.0-5.5%	2020/28	8,750,000	645,000	6,940,000	670,000	338,290
2018A Public Safety Sales Tax	2018	3.0-5.0%	2020/25	12,010,000	1,590,000	10,420,000	1,425,000	454,415
2018 Airport City Sales Tax Revenue	2018	3.6-5.0%	2020/30	27,485,000	1,725,000	25,760,000	1,650,000	1,106,150
USDA XWA Airport Fire Rescue	2019	3.00%	2020/49	2,982,741	-	2,982,741	62,698	89,482
					<u>\$ 5,980,000</u>	<u>\$ 73,282,741</u>	<u>\$ 5,912,698</u>	<u>\$ 3,337,825</u>
Special Assessments:								
	2004	3.1-4.5%		830,000	\$ 50,000	\$ -	\$ -	\$ -
	2006	3.6-4.0%	2020/22	440,000	35,000	115,000	35,000	3,900
	2006	3.55-4.1%	2020/21	855,000	45,000	90,000	45,000	2,768
	2007	3.6-4.15%	2020/22	1,020,000	50,000	150,000	50,000	5,175
	2009	2.5-4.0%	2020/24	2,580,000	165,000	810,000	165,000	28,358
	2010	1.0-4.1%	2020/30	1,900,000	105,000	1,000,000	105,000	34,458
	2010	1.0-3.75%	2020/25	740,000	50,000	295,000	50,000	9,928
	2012	1.0-3.0%	2020/32	5,795,000	305,000	3,595,000	305,000	87,500
	2014	2.0-5.0%	2020/33	4,490,000	240,000	3,235,000	240,000	112,450
	2014	1.0-4.0%	2020/34	15,075,000	800,000	11,425,000	800,000	349,205
	2015	3.0-3.5%	2020/35	9,645,000	370,000	8,165,000	390,000	258,181
	2016	1.0-5.0%	2020/36	20,185,000	835,000	17,680,000	850,000	592,775
	2017	1.0-5.0%	2020/37	2,280,000	150,000	2,085,000	150,000	75,445
	2019	2.0-4.0%	2020/38	1,145,000	20,000	1,125,000	45,000	35,055
					<u>\$ 3,220,000</u>	<u>\$ 49,770,000</u>	<u>\$ 3,230,000</u>	<u>\$ 1,595,198</u>
Certificate of Indebtedness								
Certificate of Indebtedness	2017	3.37%	2020 *	60,000,000	\$ -	\$ 59,991,807	\$ -	\$ 1,516,293
					<u>\$ -</u>	<u>\$ 59,991,807</u>	<u>\$ -</u>	<u>\$ 1,516,293</u>
Business-Type Activities:								
Revenue Bond								
State Revolving Fund Loan	2014	2.00%	2020/37	\$ 112,838,182	\$ 4,685,000	\$ 94,773,182	\$ 4,232,306	\$ 1,893,175
Storm Sewer Improvement	2002	2.50%	2020/21	1,080,000	65,000	140,000	70,000	3,500
Water Storage Reservoir System	1999	2.50%	2020/21	3,748,977	235,000	485,000	240,000	12,125
Sewer Treatment Plant Improvement	2003	2.50%	2020/22	1,190,559	70,000	220,000	70,000	4,625
Water Treatment	2003	2.50%	2020/23	3,408,344	210,000	890,000	215,000	22,250
Water Treatment	2006	2.50%	2020/26	17,593,148	930,000	7,190,000	955,000	179,750
					<u>\$ 6,195,000</u>	<u>\$ 103,698,182</u>	<u>\$ 5,782,306</u>	<u>\$ 2,115,425</u>

* The City secured long-term financing in 2020 to pay off the Certificate of Indebtedness due in 2020.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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. All general obligation bonds have been paid off in 2019.

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 and airport revenue bonds. The revenue bonds are payable through 2049 and the SRF bonds are payable through 2037.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

Year Ending December 31,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 5,912,698	\$ 3,337,825	\$ 5,782,306	\$ 2,115,425	\$ 11,695,004	\$ 5,453,250
2021	6,174,579	3,071,194	5,925,660	1,994,256	12,100,239	5,065,450
2022	6,451,516	2,792,557	5,750,297	1,867,817	12,201,813	4,660,374
2023	6,748,512	2,497,661	5,814,935	1,747,248	12,563,447	4,244,909
2024	7,065,567	2,180,386	5,724,556	1,624,675	12,790,123	3,805,061
2025-2029	24,380,888	6,446,702	27,361,882	6,351,638	51,742,770	12,798,340
2030-2034	11,747,351	2,419,350	28,485,890	3,622,532	40,233,241	6,041,882
2035-2039	3,503,603	421,397	18,852,656	760,288	22,356,259	1,181,685
2040-2044	601,201	159,699	-	-	601,201	159,699
2045-2049	696,826	63,942	-	-	696,826	63,942
Total	<u>\$ 73,282,741</u>	<u>\$ 23,390,713</u>	<u>\$ 103,698,182</u>	<u>\$ 20,083,879</u>	<u>\$ 176,980,923</u>	<u>\$ 43,474,592</u>

Special Assessment

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

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2020	\$ 3,230,000	\$ 1,595,198
2021	3,250,000	1,485,323
2022	3,225,000	1,383,481
2023	3,055,000	1,286,385
2024	3,060,000	1,189,125
2025-2029	15,045,000	4,312,170
2030-2034	15,065,000	1,808,879
2035-2039	3,840,000	159,213
Total	<u>\$ 49,770,000</u>	<u>\$ 13,219,774</u>

The City's bond documents include covenants that, in part, impose maintenance of certain reserve requirements and net operating revenues to debt service ratios. The City was in compliance with all financial covenants as of December 31, 2019.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Certificate of Indebtedness

A Certificate of Indebtedness was issued in 2017 to provide funds for the cost of improvements on the new airport. On August 15, 2020 the City secured long-term financing to pay off the certificate of indebtedness due October 3, 2020. These notes mature on November 19, 2055 and are due in annual payments beginning November 19, 2021. As the certificate of indebtedness was not repaid with current resources in 2020, the entire balance as of December 31, 2019 has been classified as long-term.

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2020	\$ -	\$ 1,516,293
2021	1,172,840	1,274,826
2022	1,197,763	1,249,903
2023	1,223,215	1,224,451
2024	1,249,208	1,198,457
2025-2029	6,655,691	5,582,638
2030-2034	7,393,558	4,844,771
2035-2039	8,213,227	4,025,102
2040-2044	9,123,767	3,114,562
2045-2049	10,135,251	2,103,077
2050-2054	11,258,872	979,457
2055	2,368,415	50,328
Total	<u>\$ 59,991,807</u>	<u>\$ 27,163,865</u>

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, 2019, there were four series of MIDA Bonds outstanding. The aggregate principal amount payable for the series could not be determined; however, their original issue amounts totaled \$56,879,624.

NOTE 10 CLOSURE AND POST CLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its landfill site when closed and to perform certain maintenance and monitoring functions at the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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 \$2,212,032 at December 31, 2019, 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, 2019. 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.

NOTE 11 DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Disclosures relating to this plan follow:

North Dakota Public Employees' Retirement System

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was 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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members first enrolled in the plan after December 31, 2019 the multiplier was reduced from 2.0% to 1.75%. The plan permits early

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Contribution rates for the Law Enforcement System are established as follows:

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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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, 2019, the City reported a liability of \$15,270,174 for its proportionate share of the net pension liability. The net pension liability consisted of \$12,923,034 to the Main System pension plan and \$2,347,140 to the Law Enforcement pension plan. The net pension liability was measured as of July 1, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of covered payroll in the Main System and Law Enforcement pension plan relative to the covered payroll of all participating Main System and Law Enforcement employers. At July 1, 2019, the City's proportion was 1.10% which was an increase of 0.06% for the Main System and 19.74% which was a decrease of 0.44% for the Law Enforcement plan.

For the year ended December 31, 2019, the City recognized pension expense of \$2,764,511 for the Main System plan and \$943,634 for the Law Enforcement plan for a total pension expense of \$3,708,145. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the Main System Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 7,652	\$ 2,345,284
Changes in actuarial assumptions	4,828,998	4,146,113
Difference between projected and actual investment earnings	225,150	-
Changes in proportion	1,713,368	1,341,212
Contributions paid to NDPERS subsequent to the measurement date	468,743	-
Total	<u><u>\$ 7,243,911</u></u>	<u><u>\$ 7,832,609</u></u>

For the Main System plan, \$468,743 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31</u>	<u>Pension Expense Amount</u>
2020	\$ 836,492
2021	279,342
2022	(628,849)
2023	(1,210,337)
2024	(334,089)

For the Law Enforcement Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 300,077	\$ 287,059
Changes in actuarial assumptions	1,682,396	1,708,766
Difference between projected and actual investment earnings	66,305	-
Changes in proportion	472,985	107,337
Contributions paid to NDPERS subsequent to the measurement date	411,304	-
Total	<u>\$ 2,933,067</u>	<u>\$ 2,103,162</u>

For the Law Enforcement plan, \$411,304 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020.

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

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2020	\$ 428,095
2021	321,895
2022	199,968
2023	(161,527)
2024	(369,830)
Thereafter	-

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions for the Main System Plan, applied to all periods included in the measurement:

Inflation 2.50%

Salary increases	Service At		
	Beginning	State	Non-State
	of Year	Employee	Employee
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	3		
	4		
	Age		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%

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

Investment rate of return 7.50%, net of investment expenses
 Cost-of-living adjustments None

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions for the Law Enforcement Plan, applied to all periods included in the measurement:

Inflation 2.50%

Salary increases	Service at Beginning of Year:	Increase Rate:
	0	20.00%
	1 - 2	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 7.50%, net of investment expenses
 Cost-of-living adjustments None

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30.00%	6.25%
International Equity	21.00%	6.95%
Private Equity	7.00%	10.15%
Domestic Fixed Income	23.00%	2.11%
Global Real Assets	19.00%	5.41%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

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 7.50 percent, as well as what the Employer's proportionate share of the net

CITY OF WILLISTON
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pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the Main System NDPERS net pension liability:	\$ 18,528,851	\$ 12,923,034	\$ 8,213,170

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the Law Enforcement NDPERS net pension liability:	\$ 4,588,951	\$ 2,347,140	\$ 508,756

Pension Plan Fiduciary Net Position

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

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS

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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. 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. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate

CITY OF WILLISTON
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in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. 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, 2019, the City reported a liability of \$1,397,886 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At July 1, 2019, the City's proportion was 1.74% which was an increase of 0.13% from its proportion measured as of July 1, 2018.

For the year ended December 31, 2019, the City recognized OPEB expense of \$215,949. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,520	\$ 43,668
Changes of assumptions	166,604	
Net difference between projected and actual earnings on OPEB plan investments	1,557	-
Changes in proportion and differences between employer contributions and proportionate share of contributions Employer contributions subsequent to the measurement date	148,747	-
	<u>123,674</u>	<u>-</u>
Total	<u>\$ 475,102</u>	<u>\$ 43,668</u>

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

\$123,674 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020.

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

Year ending June 30:	<u>OPEB Expense Amount</u>
2020	\$ 51,580
2021	51,580
2022	64,593
2023	62,205
2024	46,771
2025	26,463
Thereafter	4,568

Actuarial assumptions. The total OPEB liability in the July 1, 2019 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	7.25%, 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33.00%	6.00%
Small Cap Domestic Equities	6.00%	7.30%
Domestic Fixed Income	40.00%	2.07%
International Equities	21.00%	6.95%

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

Discount rate. The discount rate used to measure the total OPEB liability was 7.25%. 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.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Employer's proportionate share of the net OPEB liability	\$ 1,784,213	\$ 1,397,886	\$ 1,067,186

NOTE 13 DEFERRED COMPENSATION PLAN

The City offers its employees a retirement plan under deferred compensation plans created in accordance with Internal Revenue Code Section 457. The main provider of these plans is through Nationwide Retirement Solutions. For those employees who opted not to join North Dakota Public Employees' Retirement Systems (NDPERS) when the City switched to NDPERS in 2004, the City contributes 6% of employee's salaries into the plan. The City's contribution to the plan for the years ended December 31, 2019, 2018, and 2017 were \$24,000, \$24,106, and \$30,444, respectively, equal to the required contributions for the year.

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

NOTE 14 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 (NDRIF), 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 NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of \$1,000,000 per occurrence for general liability, \$1,000,000 per occurrence for automobile liability coverage and approximately \$9.9 million for inland marine coverage.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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 15 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2019 is as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 66,000,000
Nonmajor Fund	Capital Projects Fund	24,501,132
Landfill Fund	Sewer Fund	1,182,007
General Fund	Water Fund	1,000,000
		<u>\$ 92,683,139</u>

One loan was made from the Equipment Reserve Fund to the General Fund in 2003 for \$360,000 and carries an interest rate of 5 percent. Annual payments of \$25,543 are due through July 31, 2028. The balance at December 31, 2019 is \$181,554.

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2019:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 3,453,267	\$ 24,168,134
Sales Tax Fund	-	12,812,213
Capital Projects Fund	31,937,511	2,639,782
Water Fund	-	758,927
Sewer Fund	8,302,621	1,406,963
Nonmajor Funds	9,146,844	11,054,224
	<u>\$ 52,840,243</u>	<u>\$ 52,840,243</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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 16 FUND BALANCE

A. Classifications

At December 31, 2019, a summary of the governmental fund balance classifications are as follows:

	<u>General</u>	<u>Sales Tax</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Urban and economic development	\$ -	\$ 8,120,755	\$ 5,822,534	\$ 13,943,289
Culture and recreation	-	-	1,014,718	1,014,718
Public safety	4,427,688	-	21,598,023	26,025,711
Public works	100,822	-	-	100,822
Airport	43,864,709	-	-	43,864,709
Health and welfare	-	-	447,466	447,466
Capital projects	587,115	-	6,800,417	7,387,532
Debt service	-	-	39,284,535	39,284,535
Total Restricted	<u>\$ 48,980,334</u>	<u>\$ 8,120,755</u>	<u>\$ 74,967,693</u>	<u>\$ 132,068,782</u>
Assigned for:				
General government	\$ -	\$ -	\$ 453,262	\$ 453,262
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,262</u>	<u>\$ 453,262</u>

B. Minimum Fund Balance Policy

The City has not formally adopted a fund balance policy.

NOTE 17 JOINTLY GOVERNED ORGANIZATIONS

Western Area Water Supply Authority (WAWSA) was formed to own, finance, construct, and operate the Western Area Water Supply Project. The project is a comprehensive water supply project largely utilizing the Missouri River water treated at the Williston Regional Water Treatment Plant and distributed to meet the municipal, rural and industrial water needs for all or part of McKenzie, Williams, Divide, Burke, and Mountrail counties. The project is financed by a series of loans issued by the State of North Dakota. The City holds two of ten seats on the board of WAWSA.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

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

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

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

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

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

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

During 2019, under the above agreements, the City received \$368,947 for sales of water to Western Area Water Supply Authority. Other reimbursements from WAWSA included principal debt payment reimbursements of \$1,375,000, interest and administrative fee reimbursements of \$294,763, operations and maintenance reimbursements of \$3,981,479 and capital expenditure reimbursements of \$2,870,931. The City also purchased water from WAWSA for a total of \$3,224,387.

The deferred inflow of resources from WAWSA consists of the following items for the year ended December 31, 2019:

Debt reimbursement receivable as of December 31	\$	8,679,583
Principal debt payment reimbursements		9,965,417
Accumulated capital expenditure reimbursements		61,080,536
Amortization		<u>(4,476,456)</u>
Deferred inflow of resources from WAWSA	\$	<u>75,249,080</u>

NOTE 18 COST SHARED INFRASTRUCTURE

The City has entered into multiple agreements with Western Area Water Supply Authority to facilitate the development of water distribution infrastructure within the City's borders. Under the agreements, the City has 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 agreements, the City has recognized right of use assets of \$7,726,199, and an offsetting liability on cost shared infrastructure for the same amount.

The right of use assets recognized under the agreements are being amortized over 20 to 30 years. The amortization expense recognized during the year ended December 31, 2019 was \$286,393. Accumulated amortization and net book value of this asset was \$882,829 and \$6,843,370 respectively, as of December 31, 2019.

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:

2020	\$	347,964
2021		354,409
2022		357,301
2023		363,801
2024		367,815
2025-2029		1,519,462
2030-2034		1,658,379
2035-2039		1,082,539
2040-2044		533,263
2045-2046		<u>203,570</u>
	\$	<u>6,788,504</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

NOTE 19 NEW PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2019

classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

NOTE 20 PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made to the landfill proprietary fund to adjust landfill closure costs. This resulted in a decrease of net position of \$903,527.

A prior period adjustment was made to adjust bond premiums and discounts. This resulted in an increase of \$632,600 in the governmental activities on the government-wide statements.

A prior period adjustment was made to set up additional contractor payables. This resulted in an increase of \$525,000 to accounts payable within the capital projects fund reducing beginning fund balance and net position of governmental activities.

A prior period adjustment was made to set up sales taxes due back to the State for amounts over collected in 2018 and 2017. This resulted in increases of \$1,402,399 and \$467,467 in refundable sales tax liabilities within the sales tax fund and nonmajor governmental funds, respectively, reducing beginning fund balance and net position of governmental activities.

NOTE 21 SUBSEQUENT EVENTS

On March 13, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal, state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. The extent of the impact this matter will have on the City's results of operations and financial condition is uncertain.

In November 2020, the City acquired financing to repay the short-term certificates of indebtedness of \$59.9 million.

Other than the events noted above, there were no significant events that occurred subsequent to the City's year end. Subsequent events have been evaluated through December 29, 2020, which is the date these financial statements were available to be issued.

CITY OF WILLISTON
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN YEARS

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
Main System:					
2019	\$ 818,938	\$ 818,938	\$ -	11,468,713	7.14%
2018	787,595	810,624	(23,029)	10,693,136	7.58%
2017	881,416	881,416	-	12,379,445	7.12%
2016	582,181	582,181	-	8,176,703	7.12%
2015	742,926	742,926	-	10,434,350	7.12%
Law Enforcement:					
2019	\$ 756,300	\$ 756,300	\$ -	7,951,913	9.51%
2018	640,757	619,402	21,355	6,965,475	8.89%
2017	431,106	431,106	-	4,394,554	9.81%
2016	159,271	159,271	-	1,623,553	9.81%
2015	266,802	266,802	-	2,719,693	9.81%

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

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

See Notes to the Required Supplementary Information

CITY OF WILLISTON
SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY
LAST TEN YEARS

Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Main System:					
2019	1.1026%	\$ 12,923,034	\$ 11,468,713	112.68%	71.66%
2018	1.0409%	17,565,985	10,693,136	164.27%	62.80%
2017	1.2647%	20,327,606	12,910,430	157.45%	61.98%
2016	1.1451%	11,160,944	11,540,763	96.71%	70.46%
2015	0.9433%	6,414,177	8,403,527	76.33%	77.15%
Law Enforcement:					
2019	19.7357%	\$ 2,347,140	\$ 7,951,913	29.52%	71.66%
2018	20.1775%	4,702,203	6,965,475	67.51%	62.80%
2017	10.8515%	2,389,079	3,121,498	76.54%	61.98%
2016	11.2730%	1,291,717	3,181,919	40.60%	70.46%
2015	15.1115%	918,100	2,079,158	44.16%	83.61%

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

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

See Notes to the Required Supplementary Information

CITY OF WILLISTON
SCHEDULE OF CONTRIBUTIONS TO OPEB PLAN
LAST TEN YEARS

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 225,863	\$ (219,009)	\$ 6,854	\$ 19,420,626	1.16%
2018	207,126	(201,769)	5,357	17,658,611	1.17%
2017	186,360	(195,651)	(9,291)	16,031,928	1.16%

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

The City implemented GASB Statement No. 75 for its year ended December 31, 2017. Information for the prior years is not available.

See Notes to the Required Supplementary Information

CITY OF WILLISTON
SCHEDULE OF CITY'S SHARE OF THE OPEB LIABILITY
LAST TEN YEARS

Year Ended June 30	City's Proportion of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	City's Covered Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2019	1.740422%	\$ 1,397,886	\$ 19,420,626	7.20%	63.13%
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%

The amounts presented for each fiscal year were determined as of the measurement date of the City's other postemployment benefit liability which is June 30 of the previous year.

The City implemented GASB Statement No. 75 for the year ended December 31, 2017. Information for the prior years is not available.

See Notes to the Required Supplementary Information

CITY OF WILLISTON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2019

NOTE 1. DEFINED BENEFIT PLANS

Changes of benefit terms.

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System and Public Safety members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions.

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

NOTE 2. OTHER POST EMPLOYMENT BENEFITS

Changes of benefit terms.

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions.

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund, and the aggregate remaining fund information of the City of Williston as of and for the year ended December 31, 2019, 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 December 29, 2020. See the Independent Auditor's Report for modifications on various opinion units.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Williston's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we consider the items 2019-001, 2019-002, 2019-003, and 2019-004 to be material weaknesses.

Compliance and Other Matters

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

City of Williston's Response to Findings

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

Purpose of this Report

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



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

December 29, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Williston's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City 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, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



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

December 29, 2020

CITY OF WILLISTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Identifying Number	Passed Through to Subrecipients	Federal Expenditures(\$)
<u>U.S. Department of Agriculture</u>				
Direct Program:				
Community Facilities Loans and Grants Cluster	10.766		\$ -	\$ 2,982,741
Total U.S. Department of Agriculture			-	2,982,741
<u>U.S. Department of Justice</u>				
Passed through North Dakota Department of Attorney General				
Edward Byrne Memorial Justice Assistance	16.738	18208	5,200	5,200
Total United States Department of Justice			5,200	5,200
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Airport Improvement Program	20.106		-	5,652,689
Airport Improvement Program	20.106		-	195,197
Airport Improvement Program	20.106		-	9,194,280
Airport Improvement Program	20.106		-	1,744,301
Airport Improvement Program	20.106		-	6,144,949
Airport Improvement Program	20.106		-	9,943,011
Airport Improvement Program	20.106		-	2,956,746
Airport Improvement Program	20.106		-	4,503,844
Airport Improvement Program	20.106		-	742,139
Airport Improvement Program	20.106		-	112,137
Airport Improvement Program	20.106		-	5,635,174
Airport Improvement Program	20.106		-	43,795
Airport Improvement Program	20.106		-	5,186
Airport Improvement Program	20.106		-	5,009,892
Airport Improvement Program	20.106		-	4,082,564
Total CFDA 20.106			-	55,965,904
Passed through North Dakota Department of Transportation				
State and Community Highway Safety	20.600	PHSPDD1911-02-12	-	370
Underage Drinking	20.616	PHSPID1910-02-19	-	2,284
Underage Drinking	20.616	PHSPID1910-12-15	-	750
Click it or Ticket	20.616	PHSPOP1905-05-19	-	2,136
Total Highway Safety Cluster			-	5,540
Total U.S. Department of Transportation			-	55,971,444
<u>U.S. Environmental Protection Agency</u>				
Passed through North Dakota Department of Health				
Capitalization Grants for Clean Water				
State Revolving Funds - Clean Water				
State Revolving Fund Cluster	66.458	380820-04	-	1,074,777
Total U.S. Environmental Protection Agency			-	1,074,777
<u>U.S. Department of Homeland Security</u>				
Passed through North Dakota Department of Emergency Services				
Homeland Security Grant Program	97.067	A1218-001-2017-R	-	(33,609)
Total U.S. Department of Homeland Security			-	(33,609)
Total Expenditures of Federal Awards			\$ 5,200	\$ 60,000,553

See Notes to the Schedule of Expenditures of Federal Awards

CITY OF WILLISTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF DECEMBER 31, 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedule of expenditures of federal awards (Schedule) are reported under the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 INDIRECT COST RATE

The City of Williston has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of City of Williston, North Dakota under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, changes in net position, or cash flows of the City of Williston, North Dakota.

NOTE 4 SUBRECIPIENTS

During 2019, the City passed federal money to Family Crisis of \$5,200.

NOTE 5 OUTSTANDING LOAN

The City has one outstanding federal loan as of December 31, 2019:

<u>CFDA</u>	<u>Origination Date</u>	<u>Origination Amount</u>	<u>Funding Source</u>	<u>Maturity</u>	<u>Loan Balance</u>
10.766	10/16/19	\$2,982,741	Department of Agriculture	10/16/2049	\$2,982,741

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF DECEMBER 31, 2019

Section I-Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Grant
10.766	Community Facilities Loans and Grants Cluster

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

Auditee qualified as low-risk auditee? yes no

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2019

Section II – Financial Statement Findings

2019-001 ADJUSTING JOURNAL ENTRIES

Criteria

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

Condition

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

Cause

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

Effect

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

Repeat Finding

Yes

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Management will make a greater effort to reconcile and record these transactions. Internal control reviews are taking place in an effort to establish a better process. It should be noted, the City has been dealing with activity volumes uncommon to a city of its size. Management has reached out to developers for information to record contributed infrastructure, however, developers are reluctant to share this information since it could be made available to competitors. The City will consider another approach, such as an estimation of cost.

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2019

2019-002 FINANCIAL STATEMENT PREPARATION

Criteria

An appropriate system of internal controls requires the City to prepare full-disclosure financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Commission. However, the City does not prepare full-disclosure financial statements required by GAAP for external reporting. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The City elected to have the auditor assist with the preparation of the financial statements for efficiency.

Effect

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

Repeat Finding

Yes

Recommendation

We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures. As a compensating control, the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will review on an annual basis.

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2019

2019-003 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

Yes

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.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation.

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2019

2019-004 CONDUIT DEBT

Condition

The City of Williston is not reporting the outstanding balances of its conduit debt obligations as of December 31, 2019.

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 aware of its obligation to report conduit debt obligations outstanding at the balance sheet date but 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

Yes

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation.

Section III – Federal Award Findings and Questioned Costs

No findings reported.

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AS OF DECEMBER 31, 2019

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.

Corrective Action Taken

See 2019-002

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
AS OF DECEMBER 31, 2019

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.

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.

Corrective Action Taken

See 2019-001

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
AS OF DECEMBER 31, 2019

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.

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.

Corrective Action Taken

See 2019-003

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
AS OF DECEMBER 31, 2019

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.

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.

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.

Corrective Action Taken

No current year finding. A complete commitment schedule was provided by the City.

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
AS OF DECEMBER 31, 2019

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.

Recommendation

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

Corrective Action Taken

See 2019-004

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
AS OF DECEMBER 31, 2019

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.

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.

Corrective Action Taken

No current year finding. Reports were filed by the December 31, 2019 deadline.



CORRECTIVE ACTION PLAN AS OF DECEMBER 31, 2019

2019-001 FINDING

Contact Person – Hercules Cummings, Finance Director

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

Completion Date – Ongoing.

2019-002 FINDING

Contact Person – Hercules Cummings, Finance Director

Corrective Action Plan – Will consider establishing a policy to document review of financial statements and notes.

Completion Date – Ongoing.

2019-003 FINDING

Contact Person – Hercules Cummings, Finance Director

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.

Completion Date – Ongoing.

2019-004 FINDING

Contact Person – Hercules Cummings, Finance Director

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

Completion Date – Ongoing.