



Financial Statements
December 31, 2010

City of Williston

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President of the Board of City Commissioners

E. Ward Koeser

Vice-President of the Board of City Commissioners

Brad D. Bekkedahl

City Commissioners

Tate Cymbaluk

Howard Klug

Brent Bogar

City Auditor

John Kautzman



Independent Auditor's Report

The City Commission
City of Williston
Williston, North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williston, North Dakota, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williston, North Dakota, as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, and the respective budgetary comparison schedules for the General Fund and the Sales Tax Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2012, on our considerations of the City of Williston, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has not presented the Management's Discussion and Analysis that governmental 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Williston, North Dakota. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Eide Bailly LLP

Bismarck, North Dakota
April 17, 2012

City of Williston
Statement of Net Assets
December 31, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 11,460,726	\$ 4,508,063	\$ 15,968,789
Accounts receivable, net	201,496	957,539	1,159,035
Intergovernmental receivable	1,764,135		1,764,135
Taxes receivable	34,715		34,715
Due from Country Treasurer	666,422		666,422
Special assessments receivable	3,872,253		3,872,253
Specials due from County Treasurer	106,493		106,493
Inventory		131,991	131,991
Restricted cash and investments		2,575,815	2,575,815
Capital assets not being depreciated			
Land	6,836,590	459,670	7,296,260
Construction in progress	4,692,848		4,692,848
Capital assets (net of accumulated depreciation)			
Buildings	8,765,458	26,761,473	35,526,931
Improvements other than buildings	400,277	19,878,974	20,279,251
Infrastructure	33,925,134		33,925,134
Equipment	1,660,345	1,404,820	3,065,165
Total capital assets	<u>56,280,652</u>	<u>48,504,937</u>	<u>104,785,589</u>
Total assets	<u>\$ 74,386,892</u>	<u>\$ 56,678,345</u>	<u>\$ 131,065,237</u>
Liabilities			
Accounts payable	\$ 1,139,099	\$ 251,329	\$ 1,390,428
Retainage payable	205,953		205,953
Salaries and benefits payable	80,241	23,162	103,403
Deposits payable		38,565	38,565
Accrued interest payable	103,128	199,371	302,499
Grant payable	453,077		453,077
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	150,000		150,000
Revenue bonds payable	140,000	1,670,000	1,810,000
Special assessment bonds payable	515,000		515,000
Compensated absences payable	303,506	83,377	386,883
Portion due after one year			
General obligation bonds payable	1,305,000		1,305,000
Revenue bonds payable	1,360,000	23,200,000	24,560,000
Bond issuance costs and discounts	(114,815)	(52,087)	(166,902)
Landfill closure costs		235,190	235,190
Special assessment bonds payable	7,230,000		7,230,000
Compensated absences payable	303,506	83,377	386,883
Total liabilities	<u>\$ 13,173,695</u>	<u>\$ 25,732,284</u>	<u>\$ 38,905,979</u>

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

City of Williston
Statement of Net Assets
December 31, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 47,195,467	\$ 23,687,024	\$ 70,882,491
Restricted for			
Debt service	5,908,972	2,575,815	8,484,787
Special purposes	7,777,643		7,777,643
Unrestricted	<u>331,115</u>	<u>4,683,222</u>	<u>5,014,337</u>
Total net assets	<u>\$ 61,213,197</u>	<u>\$ 30,946,061</u>	<u>\$ 92,159,258</u>

City of Williston
Statement of Activities
Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government							
Governmental activities							
General government	\$ 6,800,827	\$ 1,898,275	\$ 453,800	\$ 858,717	\$ (3,590,035)	\$	\$ (3,590,035)
Public safety	3,783,196	1,143,645	348		(2,639,203)		(2,639,203)
Public works	2,896,414	1,180,846	1,293,387	1,641,305	1,219,124		1,219,124
Health and welfare	604,251	332,774			(271,477)		(271,477)
Culture and recreation	464,434	10,320	150,128		(303,986)		(303,986)
Economic development	1,457,581		266,343		(1,191,238)		(1,191,238)
Miscellaneous	1,610,056				(1,610,056)		(1,610,056)
Interest on long-term debt	377,353				(377,353)		(377,353)
Total governmental activities	<u>17,994,112</u>	<u>4,565,860</u>	<u>2,164,006</u>	<u>2,500,022</u>	<u>(8,764,224)</u>	<u>-</u>	<u>(8,764,224)</u>
Business-type activities							
Water	3,765,215	4,121,299				356,084	356,084
Sewer	821,323	658,518				(162,805)	(162,805)
Refuse	850,709	859,075				8,366	8,366
Landfill/recycle	797,495	1,100,943				303,448	303,448
Total business-type activities	<u>6,234,742</u>	<u>6,739,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>505,093</u>	<u>505,093</u>
Total primary government	<u>\$ 24,228,854</u>	<u>\$ 11,305,695</u>	<u>\$ 2,164,006</u>	<u>\$ 2,500,022</u>	<u>(8,764,224)</u>	<u>505,093</u>	<u>(8,259,131)</u>
<u>General Revenues</u>							
Taxes							
Property taxes, levied for general purposes					3,089,797		3,089,797
Property taxes, levied for special purposes					3,672,472		3,672,472
City sales tax					7,441,223		7,441,223
Cable franchise tax					149,163		149,163
Grants and contributions not restricted					954,089		954,089
Interest income					325,160	2,593	327,753
Miscellaneous revenue					469,240		469,240
Gain on sale of assets					1,520,168		1,520,168
Transfers					(1,107,427)	1,107,427	-
Total general revenues and transfers					<u>16,513,885</u>	<u>1,110,020</u>	<u>17,623,905</u>
Change in net assets					<u>7,749,661</u>	<u>1,615,113</u>	<u>9,364,774</u>
Net assets - January 1					<u>53,463,536</u>	<u>29,330,948</u>	<u>82,794,484</u>
Net assets - December 31					<u>\$ 61,213,197</u>	<u>\$ 30,946,061</u>	<u>\$ 92,159,258</u>

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

City of Williston
Balance Sheet – Governmental Funds
December 31, 2010

	General Fund	Sales Tax	Airport Maintenance Facility	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 539,891	\$ -	\$ -	\$ 10,920,835	\$ 11,460,726
Accounts receivable, net	21,204	-	-	180,292	201,496
Intergovernmental receivable	227,229	728,083	-	808,823	1,764,135
Taxes receivable	15,246	-	-	19,469	34,715
Taxes due from county treasurer	288,223	-	-	378,199	666,422
Special assessments receivable	85	-	-	17,157	17,242
Specials due from county treasurer	-	-	-	106,493	106,493
Due from other funds	307,778	1,378,455	-	804,329	2,490,562
Interfund loans receivable	-	-	-	298,586	298,586
Total assets	\$ 1,399,656	\$ 2,106,538	\$ -	\$ 13,534,183	\$ 17,040,377
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 249,275	\$ -	\$ 35,230	\$ 854,594	\$ 1,139,099
Retainage payable	-	-	-	205,953	205,953
Salaries and benefits payable	49,311	-	-	30,930	80,241
Due to other funds	-	-	1,284,713	1,205,849	2,490,562
Interfund loans payable	298,586	-	-	-	298,586
Due to other governments	-	-	-	-	-
Grant payable	-	-	-	453,077	453,077
Deferred revenues	15,331	-	-	36,626	51,957
Total liabilities	612,503	-	1,319,943	2,787,029	4,719,475
Fund Balances					
Reserved for					
Debt service	-	-	-	2,053,961	2,053,961
Interfund loans	-	-	-	298,586	298,586
Unreserved, reported in					
General fund	787,153	-	-	-	787,153
Special revenue funds	-	2,106,538	-	8,344,345	10,450,883
Capital project funds	-	-	(1,319,943)	50,262	(1,269,681)
Total fund balances	787,153	2,106,538	(1,319,943)	10,747,154	12,320,902
	\$ 1,399,656	\$ 2,106,538	\$ -	\$ 13,534,183	\$ 17,040,377

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

City of Williston

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets
Year Ended December 31, 2010

Total fund balances for governmental funds		\$ 12,320,902
Total net assets reported for governmental activities in the statement of net assets is different because:		
<p style="margin-left: 40px;">Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Cost of capital assets	\$ 79,313,543	
Less accumulated depreciation	<u>(23,032,891)</u>	
Net capital assets		56,280,652
<p style="margin-left: 40px;">Property taxes and special assessments will be collected after year end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.</p>		
Property taxes	\$ 51,957	
Special assessments	<u>3,855,011</u>	
		3,906,968
<p style="margin-left: 40px;">Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at December 31, 2009 are:</p>		
Special assessment bonds payable	\$ (7,745,000)	
General obligation bonds payable	(1,455,000)	
Revenue bonds payable	(1,500,000)	
Bond discounts	114,815	
Interest payable	(103,128)	
Compensated absences	<u>(607,012)</u>	
Total long-term liabilities		<u>(11,295,325)</u>
Total net assets of governmental activities		<u>\$ 61,213,197</u>

City of Williston
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds
Year Ended December 31, 2010

	General Fund	Sales Tax	Airport Maintenance Facility	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 3,008,602	\$ 7,441,222	\$ -	\$ 2,833,195	\$ 13,283,019
Special assessments	-	-	-	839,277	839,277
Licenses, permits and fees	412,266	-	-	-	412,266
Intergovernmental	954,437	-	-	3,022,375	3,976,812
Intragovernmental	561,682	-	-	-	561,682
Charges for services	409,058	-	-	3,290,243	3,699,301
Fines, forfeitures and penalties	273,454	-	-	10,106	283,560
Interest	65,756	23,286	-	236,118	325,160
Miscellaneous	118,606	-	-	350,623	469,229
Total revenues	<u>5,803,861</u>	<u>7,464,508</u>	<u>-</u>	<u>10,581,937</u>	<u>23,850,306</u>
Expenditures					
Current					
General government	1,154,850	3,842,197	-	1,230,067	6,227,114
Public safety	2,215,324	-	-	1,309,338	3,524,662
Public works	2,053,794	-	-	230,542	2,284,336
Health and welfare	-	-	-	604,251	604,251
Culture and recreation	-	-	-	383,355	383,355
Economic development	311,393	-	-	1,137,785	1,449,178
Other	-	-	-	1,610,056	1,610,056
Capital outlay	859,004	-	2,771,982	4,197,777	7,828,763
Debt service					
Principal	-	-	-	919,000	919,000
Interest and fiscal charges	-	-	-	377,353	377,353
Total expenditures	<u>6,594,365</u>	<u>3,842,197</u>	<u>2,771,982</u>	<u>11,999,524</u>	<u>25,208,068</u>
Excess (deficiency) of revenues over expenditures	<u>(790,504)</u>	<u>3,622,311</u>	<u>(2,771,982)</u>	<u>(1,417,587)</u>	<u>(1,357,762)</u>
Other Financing Sources (Uses)					
Sale of assets	-	-	-	1,538,665	1,538,665
Bond proceeds	-	-	1,470,789	2,669,211	4,140,000
Bond discounts	-	-	(18,750)	(33,080)	(51,830)
Transfers in	2,421,480	-	-	9,183,882	11,605,362
Transfers out	(1,365,000)	(4,069,913)	-	(7,277,876)	(12,712,789)
Total other financing sources and uses	<u>1,056,480</u>	<u>(4,069,913)</u>	<u>1,452,039</u>	<u>6,080,802</u>	<u>4,519,408</u>
Net change in fund balances	265,976	(447,602)	(1,319,943)	4,663,215	3,161,646
Fund balance - January 1	521,177	2,554,140	-	6,083,939	9,159,256
Fund balance - December 31	<u>\$ 787,153</u>	<u>\$ 2,106,538</u>	<u>\$ (1,319,943)</u>	<u>\$ 10,747,154</u>	<u>\$ 12,320,902</u>

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

City of Williston

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to
the Government-Wide Statement of Activities
Year Ended December 31, 2010

Net change in fund balances- total governmental funds \$ 3,161,646

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Current year capital outlay	\$ 7,871,373	
Current year depreciation expense	<u>(1,924,315)</u>	5,947,058

In the statement of activities, donations of capital assets increase net assets but donations of capital assets do not appear in the governmental funds because they are not financial resources. Thus, the change in net assets differs from the change in fund balance by the value of donated assets.

1,641,305

In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to decrease net assets.

(18,497)

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

Net decrease in compensated absences	\$ 24,246	
Net increase in interest payable	<u>(55,182)</u>	(30,936)

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to
the Government-Wide Statement of Activities
Year Ended December 31, 2010

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the amount by which bond proceeds and discounts on debt issued exceeded debt repayment.

Bond proceeds	\$ (4,140,000)	
Bond discounts	51,380	
Repayment of debt	<u>919,000</u>	(3,169,620)

The amortization of bond discount is reported as an expense in the statement of activities but is not reported in the governmental funds. (11,652)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the increase in taxes and special assessments receivable. 230,357

Change in Net Assets of Governmental Activities \$ 7,749,661

City of Williston
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 2,540,561	\$ 2,540,561	\$ 3,008,602	\$ 468,041
Licenses, permits and fees	181,300	181,300	412,266	230,966
Intergovernmental	722,000	722,000	954,437	232,437
Intragovernmental	493,488	493,488	561,682	68,194
Charges for services	251,088	251,088	409,058	157,970
Fines, forfeitures and penalties	254,980	254,980	273,454	18,474
Interest	200,000	200,000	65,756	(134,244)
Miscellaneous	150,250	150,250	118,606	(31,644)
Total revenues	<u>4,793,667</u>	<u>4,793,667</u>	<u>5,803,861</u>	<u>1,010,194</u>
Expenditures				
Current				
General government	1,334,048	1,334,048	1,154,850	179,198
Public safety	2,848,181	2,848,181	2,215,324	632,857
Public works	2,487,015	2,487,015	2,053,794	433,221
Economic development	360,178	360,178	311,393	48,785
Capital outlay	-	-	859,004	(859,004)
Total expenditures	<u>7,029,422</u>	<u>7,029,422</u>	<u>6,594,365</u>	<u>435,057</u>
Deficiency of revenues over expenditures	<u>(2,235,755)</u>	<u>(2,235,755)</u>	<u>(790,504)</u>	<u>1,445,251</u>
Other Financing Sources (Uses)				
Transfers in	1,991,378	1,991,378	2,421,480	430,102
Transfers out	<u>(125,044)</u>	<u>(125,044)</u>	<u>(1,365,000)</u>	<u>(1,239,956)</u>
Total other financing sources (uses)	<u>1,866,334</u>	<u>1,866,334</u>	<u>1,056,480</u>	<u>(809,854)</u>
Net change in fund balances	(369,421)	(369,421)	265,976	635,397
Fund balance - January 1	<u>521,177</u>	<u>521,177</u>	<u>521,177</u>	<u>-</u>
Fund balance - December 31	<u><u>\$ 151,756</u></u>	<u><u>\$ 151,756</u></u>	<u><u>\$ 787,153</u></u>	<u><u>\$ 635,397</u></u>

City of Williston
 Budgetary Comparison Schedule – Sales Tax Fund
 Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 4,375,000	\$ 4,375,000	\$ 7,441,222	\$ 3,066,222
Interest	-	-	23,286	23,286
Total revenues	<u>4,375,000</u>	<u>4,375,000</u>	<u>7,464,508</u>	<u>3,089,508</u>
Expenditures				
Current:				
General government	<u>2,500,000</u>	<u>2,500,000</u>	<u>3,842,197</u>	<u>(1,342,197)</u>
Excess of revenues over expenditures	<u>1,875,000</u>	<u>1,875,000</u>	<u>3,622,311</u>	<u>4,431,705</u>
Other Financing Uses				
Transfers out	<u>(4,395,000)</u>	<u>(4,395,000)</u>	<u>(4,069,913)</u>	<u>325,087</u>
Net change in fund balances	<u>(2,520,000)</u>	<u>(2,520,000)</u>	<u>(447,602)</u>	<u>4,756,792</u>
Fund balance - January 1	<u>2,554,140</u>	<u>2,554,140</u>	<u>2,554,140</u>	<u>-</u>
Fund balance - December 31	<u><u>\$ 34,140</u></u>	<u><u>\$ 34,140</u></u>	<u><u>\$ 2,106,538</u></u>	<u><u>\$ 4,756,792</u></u>

City of Williston
Statement of Net Assets – Proprietary Funds
December 31, 2010

	Business-Type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Non Major Enterprise Funds	
Assets				
Current assets				
Cash and cash equivalents	\$ 1,412,542	\$ 1,181,463	\$ 1,914,058	\$ 4,508,063
Accounts receivable, net	699,141	67,551	190,847	957,539
Inventory	115,504	16,487	-	131,991
Total current assets	<u>2,227,187</u>	<u>1,265,501</u>	<u>2,104,905</u>	<u>5,597,593</u>
Noncurrent assets				
Restricted cash and investments	2,084,375	198,250	293,190	2,575,815
Capital assets not being depreciated				
Land	380,156	-	79,514	459,670
Capital assets (net of accumulated depreciation)				
Buildings	26,226,852	310,847	223,774	26,761,473
Improvements other than buildings	12,063,112	6,411,484	1,404,378	19,878,974
Equipment	856,079	14,075	534,666	1,404,820
Total noncurrent assets	<u>41,610,574</u>	<u>6,934,656</u>	<u>2,535,522</u>	<u>51,080,752</u>
Total assets	<u>\$ 43,837,761</u>	<u>\$ 8,200,157</u>	<u>\$ 4,640,427</u>	<u>\$ 56,678,345</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 124,172	\$ 9,572	\$ 117,585	\$ 251,329
Salaries and benefits payable	2,126	2,846	18,190	23,162
Deposits payable	38,565	-	-	38,565
Accrued interest payable	182,850	14,036	2,485	199,371
Bonds payable	1,427,500	145,000	97,500	1,670,000
Compensated absences	41,638	10,260	31,479	83,377
Total current liabilities	<u>1,816,851</u>	<u>181,714</u>	<u>267,239</u>	<u>2,265,804</u>
Noncurrent liabilities				
Bonds payable	20,807,500	1,525,000	867,500	23,200,000
Bond discounts	(36,060)	(2,936)	(13,091)	(52,087)
Accrued closure and postclosure liability	-	-	235,190	235,190
Compensated absences	41,639	10,261	31,477	83,377
Total noncurrent liabilities	<u>20,813,079</u>	<u>1,532,325</u>	<u>1,121,076</u>	<u>23,466,480</u>
Total liabilities	<u>\$ 22,629,930</u>	<u>\$ 1,714,039</u>	<u>\$ 1,388,315</u>	<u>\$ 25,732,284</u>

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

City of Williston
Statement of Net Assets – Proprietary Funds
December 31, 2010

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Non Major Enterprise Funds	Total
Net Assets				
Invested in capital assets, net of related debt	\$ 17,327,259	\$ 5,069,342	\$ 1,290,423	\$ 23,687,024
Restricted	2,084,375	198,250	293,190	2,575,815
Unrestricted	1,796,197	1,218,526	1,668,499	4,683,222
Total net assets	<u>\$ 21,207,831</u>	<u>\$ 6,486,118</u>	<u>\$ 3,252,112</u>	<u>\$ 30,946,061</u>

City of Williston
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds
Year Ended December 31, 2010

	Business-Type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Non Major Enterprise Funds	
Operating Revenues				
Charges for service	\$ 4,091,515	\$ 644,827	\$ 1,359,447	\$ 6,095,789
License and permits	-	-	593,338	593,338
Miscellaneous	29,784	13,691	7,233	50,708
Total operating revenues	<u>4,121,299</u>	<u>658,518</u>	<u>1,960,018</u>	<u>6,739,835</u>
Operating Expenses				
Salaries and benefits	626,193	248,502	563,067	1,437,762
Materials and supplies	1,169,225	277,108	594,537	2,040,870
Contractual services	23,692	484	110,872	135,048
Depreciation	1,243,016	236,647	341,200	1,820,863
Miscellaneous	10,074	-	-	10,074
Total operating expenses	<u>3,072,200</u>	<u>762,741</u>	<u>1,609,676</u>	<u>5,444,617</u>
Operating income (expense)	<u>1,049,099</u>	<u>(104,223)</u>	<u>350,342</u>	<u>1,295,218</u>
Nonoperating Revenues (Expenses)				
Interest income	-	-	2,593	2,593
Interest and service charges	<u>(693,015)</u>	<u>(58,582)</u>	<u>(38,528)</u>	<u>(790,125)</u>
Total nonoperating revenue (expenses)	<u>(693,015)</u>	<u>(58,582)</u>	<u>(35,935)</u>	<u>(787,532)</u>
Income (loss) before transfers	<u>356,084</u>	<u>(162,805)</u>	<u>314,407</u>	<u>507,686</u>
Transfers in	1,222,311	320,171	-	1,542,482
Transfers out	<u>(101,467)</u>	<u>(121,520)</u>	<u>(212,068)</u>	<u>(435,055)</u>
Change in net assets	<u>1,476,928</u>	<u>35,846</u>	<u>102,339</u>	<u>1,615,113</u>
Fund balance - January 1	<u>19,730,903</u>	<u>6,450,272</u>	<u>3,149,773</u>	<u>29,330,948</u>
Fund balance - December 31	<u>\$ 21,207,831</u>	<u>\$ 6,486,118</u>	<u>\$ 3,252,112</u>	<u>\$ 30,946,061</u>

City of Williston
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2010

	Business-Type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Non Major Enterprise Funds	
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 3,771,510	\$ 630,566	\$ 1,348,249	\$ 5,750,325
Payments to suppliers	(1,165,670)	(277,304)	(775,046)	(2,218,020)
Payments to employees	(635,645)	(246,896)	(563,810)	(1,446,351)
Other operating revenue	29,784	13,691	600,571	644,046
Net Cash Provided by Operating Activities	<u>1,999,979</u>	<u>120,057</u>	<u>609,964</u>	<u>2,730,000</u>
Cash Flows from Noncapital Financing Activities				
Transfers in	1,222,311	320,171	-	1,542,482
Transfers out	(101,467)	(121,520)	(212,068)	(435,055)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,120,844</u>	<u>198,651</u>	<u>(212,068)</u>	<u>1,107,427</u>
Cash Flows from Capital and Related Financing Activities				
Purchases and construction of capital assets	(74,483)	-	(233,786)	(308,269)
Principal paid on capital debt	(1,410,000)	(170,000)	(115,000)	(1,695,000)
Interest paid on capital debt	(706,943)	(59,998)	(39,318)	(806,259)
Net Cash used by Capital and Related Financing Activities	<u>(2,191,426)</u>	<u>(229,998)</u>	<u>(388,104)</u>	<u>(2,809,528)</u>
Cash Flows from Investing Activities				
Interest Income	-	-	2,593	2,593
Net change in cash and cash equivalents	<u>929,397</u>	<u>88,710</u>	<u>12,385</u>	<u>1,030,492</u>
Cash and cash equivalents, January 1	<u>2,567,520</u>	<u>1,291,003</u>	<u>2,194,863</u>	<u>6,053,386</u>
Cash and cash equivalents, December 31	<u><u>\$ 3,496,917</u></u>	<u><u>\$ 1,379,713</u></u>	<u><u>\$ 2,207,248</u></u>	<u><u>\$ 7,083,878</u></u>

City of Williston
Statement of Cash Flows – Proprietary Funds
Year Ended December 31, 2010

	Business-Type Activities - Enterprise Funds			Total
	Water Fund	Sewer Fund	Non Major Enterprise Funds	
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 1,049,099	\$ (104,223)	\$ 350,342	\$ 1,295,218
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	1,243,016	236,647	341,200	1,820,863
Change in assets and liabilities				
Accounts receivable	(320,005)	(14,261)	(11,198)	(345,464)
Inventories	(5,886)	12,763	-	6,877
Accounts payable	44,461	(12,475)	(72,426)	(40,440)
Customer deposits	(1,254)	-	-	(1,254)
Salaries and benefits payable	(3,386)	290	8,832	5,736
Compensated absences	(6,066)	1,316	(9,575)	(14,325)
Closure/post closure costs	-	-	2,789	2,789
Net cash provided by operating activities	<u>\$ 1,999,979</u>	<u>\$ 120,057</u>	<u>\$ 609,964</u>	<u>\$ 2,730,000</u>

City of Williston
Statement of Net Assets – Fiduciary Funds
December 31, 2010

	<u>Agency</u>
Assets	
Cash and cash investments	<u>\$ 22,240</u>
Total assets	<u><u>\$ 22,240</u></u>
Liabilities	
Due to other parties	<u><u>\$ 22,240</u></u>

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

General fund – This is the city’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Airport Maintenance Facility - This fund accounts for the financial resources for the city airport infrastructure improvement projects.

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 distribution system in the City of Williston.

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

Additionally, the city reports the following fund types:

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

Measurement Focus, Basis of Accounting

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

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

Under the terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

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

Budgetary Information

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

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

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

Cash and Cash Equivalents and Investments

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

The investments of the City's governmental and enterprise funds, during the year ended December 31, 2010, consisted of certificates of deposit stated at fair value.

Inventories

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

Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 1980 are reported at historical cost using deflated replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method of the following estimated useful lives:

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

Compensated Absences

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

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

Long-Term Obligations

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

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by enabling legislation. Designations of fund balance represent tentative management plans that are subject to change.

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.

Note 2 - Legal Compliance – Budgets

Budget Amendments

The city’s governing board did not amend the city budgets for the year ended December 31, 2010.

Excess of Actual Expenditures over Budget

Expenditures exceeded budget in the following funds:

Special revenue funds	
Sales tax fund	\$ (1,342,197)
Airport	(261,939)
Planning study	(34,154)
Parking authority	(7,768)
Mosquito fund	(294,214)
Community development	(241,343)
Library	(5,314)
Tax Increment #3	(313,891)
Pension	(17,333)
Park fund	(6,510)
Tax Increment #5	(186,705)
Trailer park	(8,701)
Special Improvement Deficiency	(765,091)
1996 Refunding	(784)
1997 Refunding	(737)
2003 Refunding	(6,686)

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

Note 3 - Deposits and Investments

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

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

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

At year end December 31, 2010, city's carrying amount of deposits was \$18,566,844 and the bank balance was \$19,270,250. Of the bank balances, \$250,820 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

As of December 31, 2010, the city cash and cash equivalents include amounts in demand deposits, money markets accounts, and highly liquid investments with an original maturity of three months or less.

Note 4 - Restricted Cash and Investments

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

Restricted for debt service - water fund	\$ 2,084,375
Restricted for debt service - sewer fund	198,250
Restricted for debt service - landfill fund	58,000
Restricted for closure and post-closure costs	235,190
	235,190
	\$ 2,575,815

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 \$74,951 for governmental activities accounts receivable and \$827 for business-type activities accounts receivable recorded at December 31, 2010.

Note 6 - Intergovernmental Receivable

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

Note 7 - Taxes Receivable

The taxes receivable represents the past four years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable. As of December 31, 2010 all accounts are considered collectible.

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

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

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

Note 8 - Taxes Due from County Treasurer

The amount of taxes due from county treasurer consists of the cash on hand for taxes collected but not remitted to the City at December 31, 2010.

Note 9 - Special Assessments Receivable

Special assessments receivable consists of uncollected special assessments due the City at December 31st and uncertified special assessments, which represents a long-term receivable in the financial statements. No allowance has been established for uncollectible special assessments. As of December 31, 2010 all accounts are considered collectible.

Note 10 - Specials Due from County Treasurer

The amount of specials due from the county treasurer consists of the cash on hand for special assessments collected but not remitted to the City at December 31, 2010.

Note 11 - Due from/to other Funds

Interfund receivables (due from other funds) and payables (due to other funds) are used when a fund has a cash deficit. Due from/to other funds at December 31, 2010 consisted of the following:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund	\$ -	\$ 307,778
Sales tax fund	-	1,284,713
Sales tax fund	-	93,742
Airport maintenance facility	1,284,713	-
Other governmental funds	93,742	-
Other governmental funds	307,778	-
Other governmental funds	804,329	804,329
	<u>\$ 2,490,562</u>	<u>\$ 2,490,562</u>

Note 12 - Interfund Loans Receivable/Payable

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

The loan to the general fund was made in 2003 for \$360,000 and carries an interest rate of 5 percent. Annual payments of \$25,543 are due through July 31, 2028. The balance at December 31, 2010 is \$298,586.

Note 13 - Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance 1/1/10	Additions	Deletions	Balance 12/31/10
Governmental activities				
Capital assets not being depreciated				
Land	\$ 6,836,590	\$ -	\$ -	\$ 6,836,590
Construction in progress	1,558,174	4,692,848	(1,558,174)	4,692,848
Total	<u>8,394,764</u>	<u>4,692,848</u>	<u>(1,558,174)</u>	<u>11,529,438</u>
Capital assets, being depreciated				
Buildings	10,443,290	2,639,254		13,082,544
Improvements other than buildings	843,917	-		843,917
Equipment	7,778,101	731,535	(140,185)	8,369,451
Infrastructure	42,480,978	3,007,215		45,488,193
Total	<u>61,546,286</u>	<u>6,378,004</u>	<u>(140,185)</u>	<u>67,784,105</u>
Less accumulated depreciation				
Buildings	4,058,691	258,395		4,317,086
Improvements other than buildings	428,824	14,816		443,640
Equipment	6,173,453	657,341	(121,688)	6,709,106
Infrastructure	10,569,296	993,763		11,563,059
Total	<u>21,230,264</u>	<u>1,924,315</u>	<u>(121,688)</u>	<u>23,032,891</u>
Total capital assets being depreciated, net	<u>40,316,022</u>	<u>4,453,689</u>	<u>(18,497)</u>	<u>44,751,214</u>
Governmental activities - capital assets, net	<u>\$ 48,710,786</u>	<u>\$ 9,146,537</u>	<u>\$ (1,576,671)</u>	<u>\$ 56,280,652</u>

	Balance 1/1/10	Additions	Deletions	Balance 12/31/10
Business-type activities				
Capital assets not being depreciated				
Land	\$ 459,670	\$ -	\$ -	\$ 459,670
Construction in progress	497,621	-	(497,621)	-
Total	<u>957,291</u>	<u>-</u>	<u>(497,621)</u>	<u>459,670</u>
Capital assets, being depreciated				
Buildings	33,334,947	-	-	33,334,947
Improvements other than buildings	29,351,419	596,038	-	29,947,457
Equipment	4,506,281	215,662	(8,750)	4,713,193
Total	<u>67,192,647</u>	<u>811,700</u>	<u>(8,750)</u>	<u>67,995,597</u>
Less accumulated depreciation				
Buildings	5,906,775	666,699	-	6,573,474
Improvements other than buildings	9,452,674	538,355	-	9,991,029
Equipment	2,778,768	615,809	(8,750)	3,385,827
Total	<u>18,138,217</u>	<u>1,820,863</u>	<u>(8,750)</u>	<u>19,950,330</u>
Total capital assets being depreciated, net	<u>49,054,430</u>	<u>(1,009,163)</u>	<u>-</u>	<u>48,045,267</u>
Business-type activities - capital assets, net	<u>\$ 50,011,721</u>	<u>\$ (1,009,163)</u>	<u>\$ (497,621)</u>	<u>\$ 48,504,937</u>

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

Governmental activities	
General government	\$ 573,272
Public safety	258,534
Public works	1,003,027
Economic development	8,403
Culture and recreation	81,079
Total depreciation expense for governmental activities	<u>\$ 1,924,315</u>
Business type activities	
Refuse	\$ 151,803
Sewer	236,647
Water	1,243,016
Landfill/recycle	189,397
Total depreciation expense for business-type activities	<u>\$ 1,820,863</u>

As of December 31, 2010, the City had outstanding commitments of \$1,838,717 related to construction projects.

Note 14 - Long-Term Obligations

During the year ended December 31, 2010, the following changes occurred in long-term liabilities of the city:

Governmental Activities

	Balance 1/1/10	Additions	Reductions	Balance 12/31/10	Due Within One Year
Compensated absences	\$ 631,258	\$ 299,166	\$ 323,412	\$ 607,012	\$ 303,506
General obligation	1,879,000	-	424,000	1,455,000	150,000
Revenue bonds	-	1,500,000	-	1,500,000	140,000
Special assessment	5,600,000	2,640,000	495,000	7,745,000	515,000
Total	\$ 8,110,258	\$ 4,439,166	\$ 1,242,412	\$ 11,307,012	\$ 1,108,506

Business-Type Activities

Compensated absences	\$ 181,079	\$ 97,414	\$ 111,740	\$ 166,753	\$ 83,377
Revenue bonds	26,565,000	-	1,695,000	24,870,000	1,670,000
Total	\$ 26,746,079	\$ 97,414	\$ 1,806,740	\$ 25,036,753	\$ 1,753,377

Outstanding debt at December 31, 2010 (excluding compensated absences) consisted of the following issues:

Governmental Activities

General Obligation

\$260,000 Highway and Arterial Street Bonds of 2000 - due in annual installments of \$15,000 to \$25,000 through May 1, 2015; interest at 4.70% to 5.40%; liquidated out of the Municipal Highway Fund.	\$ 120,000
\$1,215,000 General Obligation Airport Revenue Bonds of 2004 Series A - due in annual installments of \$65,000 to \$105,000, through May 1, 2019; interest at 3.20% to 4.50%; liquidated out of the Airport Fund.	805,000
\$800,000 General Obligation Airport Revenue Bonds of 2004 Series B - due in annual installments of \$40,000 to \$70,000 through May 1, 2019; interest at 2.00% to 4.50%; liquidated out of the Airport Fund.	<u>530,000</u>
Total	\$ 1,455,000

General obligation bonds are issued to provide funds for the acquisition and construction of major capital items. They are direct obligations and pledge the full faith and credit of the City of Williston. The City has pledged future revenues, net of specified operating expenses, to repay the general obligation airport revenue bonds. Proceeds from the bonds provided financing for the construction of the City's airport terminal. The bonds are payable from revenues and fees and charges collected for use of the Municipal Airport in Williston and property tax revenues and are payable through 2019. The total principal and interest remaining to be paid on the bonds is \$1,606,848. Principal and interest paid for the current year and total customer and tax revenues were \$182,305 and \$1,422,173, respectively.

Revenue Bonds

\$1,500,000 Sales Tax Revenue Bonds of 2010 - due in annual installments of \$140,000 to \$165,000 through May 1, 2020; interest at 1.00% to 2.50%; liquidated out of the Airport Fund	<u>\$ 1,500,000</u>
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Revenue bonds are issued to finance capital improvement projects in which revenue from operations of such improvement projects or revenue is pledged from a designated revenue stream is used pay the debt service. The City has committed to appropriate each year, the portion of the City's one percent sales and use tax revenues necessary to pay the annual principal and interest requirements on the revenue bonds. Proceeds from the bonds provided financing for the construction of a hangar at the Williston Airport. The bonds are payable through 2020. The total principal and interest remaining to be paid on the bonds is \$1,656,379. There were no principal or interest payments required to be made on the bonds during 2010. The total sales and use tax revenues in 2010 were \$7,441,222.

Special Assessment

\$190,000 Refunding Improvement Bonds of 2000 - due in annual installments of \$5,000 to \$15,000 through May 1, 2015; interest at 4.85% to 5.40%; liquidated out of the 2000 Refunding Fund.	\$ 25,000
\$695,000 Refunding Improvement Bonds of 2003 - due in annual installments of \$40,000 to \$55,000 through May 1, 2018; interest at 1.50% to 4.00%; liquidated out of the 2003 Refunding Fund.	340,000
\$585,000 Refunding Improvement Bonds of 1996 - due in annual installments of \$35,000 through May 1, 2011; interest at 5.00% to 5.50%; liquidated out of the 1996 Refunding Fund.	35,000
\$210,000 Refunding Improvement Bonds of 1997 - due in annual installments of \$5,000 to \$20,000 through May 1, 2012; interest at 4.90% to 5.30%; liquidated out of the 1997 Refunding Fund.	20,000
\$830,000 Refunding Improvement Bonds of 2004 - due in annual installments of \$45,000 to \$65,000, through May 1, 2019; interest at 3.10% to 4.50%; liquidated out of the 2004 Refunding Fund.	490,000
\$440,000 Refunding Improvement Bonds of 2006 Series A - due in annual installments of \$20,000 to \$40,000, starting on May 1, 2008 through May 1, 2022; with interest at 3.625% to 4.0%; liquidated out of the 2006 Refunding Fund.	375,000
\$855,000 Refunding Improvements Bonds of 2006 Series B - due in annual installments of \$45,000 to \$65,000 through May 1 ,2021; with interest at 3.55% to 4.10%; liquidated out of the 2006 Refunding Fund.	615,000
\$1,020,000 Refunding Improvement Bonds of 2007 - due in annual installments of \$65,000 to \$75,000 through May 1, 2022; interest at 3.60% to 4.15%; liquidated out of the 2007 Temporary Refunding Fund.	785,000
\$2,580,000 Refunding Improvement Bonds of 2009 - due in annual installments of \$160,000 to \$190,000 through May 1, 2024; interest at 2.5% to 4%; liquidated out of the 2009 Refunding Fund	2,420,000
\$1,900,000 Refunding Improvement Bonds of 2010 - due in annual installments of \$80,000 to \$120,000 through May 1, 2030; interest at 1.00% to 4.10%; liquidated out of the 2010A Refunding 1.9Mil Fund	1,900,000
\$740,000 Refunding Improvement Bonds of 2010 Series B - due in annual installments of \$45,000 to \$60,000 through May 1, 2025; interest at 1.00% to 3.75%; liquidated out of the 2010B Refunding 740,000 Fund	740,000
Total	<u><u>\$ 7,745,000</u></u>

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

Business-Type Activities

Enterprise Revenue Bonds

\$590,000 Water Revenue Bonds of 1997 - due in annual installments of \$25,000 to \$40,000 through May 1, 2012; interest at 4.80% to 5.30%; liquidated out of the Water Fund.	\$ 75,000
\$685,000 Water Revenue Bonds of 1999 - due in annual installments of \$40,000 to \$65,000 through May 1, 2014; interest at 4.80% to 5.40%; liquidated out of the Water Fund.	235,000
\$445,000 Sewer Utility Revenue Bond of 2000 - due in annual installments of \$25,000 to \$45,000 through May 1, 2015; interest at 4.65% to 5.30%; liquidated out of the Sewer Fund.	195,000
\$455,000 Water Utility Revenue Bond of 2000 - due in annual installments of \$25,000 to \$45,000 through May 1, 2015; interest at 4.65% to 5.30%; liquidated out of the Water Fund.	200,000
\$580,000 Landfill Revenue Bond of 2002 - due in annual installments of \$30,000 to \$50,000 through May 1, 2017; interest at 2.80% to 5.00%; liquidated out of the Landfill Fund.	315,000
\$1,080,000 Storm Sewer Improvement Revenue Bond of 2002 - due in annual installments of \$50,000 to \$70,000 through September 1, 2021; interest at 2.50%; liquidated out of the Sewer Fund.	685,000

\$3,748,977 Water Storage Reservoir System Bond of 1999 - due in annual installments of \$165,000 to \$245,000 through September 1, 2021; interest at 2.50%; liquidated out of the Water Fund.	2,385,000
\$1,190,559 Sewer Treatment Plant Improvement Bond of 2003 - due in annual installments of \$50,000 to \$75,000 through September 1, 2022; interest at 2.50%; liquidated out of the Sewer Fund.	790,000
\$3,408,344 Water Treatment Revenue Bonds of 2003, due in annual installments of \$155,00 to \$230,000 through September 1, 2023; interest at 2.5%; liquidated out of the Water Fund.	2,605,000
\$17,593,148 Water Treatment Revenue Bonds of 2006, due in annual installments of \$628,143 to \$1,105,000 through September 1, 2026, interest at 2.5%; liquidated out of the Water Fund.	14,785,000
\$2,820,000 Sales Tax Revenue Bonds of 2009, due in annual installments of \$220,000 to \$300,000 through May 1, 2020, interest at 2.0% to 3.8%; liquidated out of the Water and Landfill Funds.	<u>2,600,000</u>
Total	<u><u>\$ 24,870,000</u></u>

The City has pledged future revenues, net of specified operating expenses, and a portion of the City's one percent sales and use tax to repay the enterprise revenue bonds. Proceeds from the bonds provided financing for the construction and capital improvements to the City's water treatment plant, sanitary sewer system and landfill site. The bonds are payable from water, sewer and landfill customer net revenues and through a portion of the City's sales and use tax. The City has committed to appropriate each year, sales and use tax revenues sufficient to cover the principal and interest requirements of the City's sales tax revenue bonds. The bonds are payable through 2026. The total principal and interest remaining to be paid on the bonds is \$29,889,291. Principal and interest paid for the current year and total customer and supplemental sales tax revenues were \$2,696,429 and \$7,441,222, respectively.

The City's bond documents include covenants that, in part, impose maintenance of certain reserve requirements and net operating revenues to debt service ratios. The City was in compliance with all financial covenants as of December 31, 2010.

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

Governmental Activities

<u>Year ended December 31,</u>	General Obligation		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 150,000	\$ 58,743	\$ 208,743
2012	160,000	52,679	212,679
2013	160,000	46,158	206,158
2014	165,000	39,388	204,388
2015	175,000	62,163	237,163
2016-2020	<u>645,000</u>	<u>59,419</u>	<u>704,419</u>
Total	<u>\$ 1,455,000</u>	<u>\$ 318,550</u>	<u>\$ 1,773,550</u>

<u>Year ended December 31,</u>	Governmental Revenue		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 140,000	\$ 27,266	\$ 167,266
2012	140,000	23,645	163,645
2013	145,000	22,005	167,005
2014	145,000	20,048	165,048
2015	145,000	17,873	162,873
2016-2020	<u>785,000</u>	<u>45,543</u>	<u>830,543</u>
Total	<u>\$ 1,500,000</u>	<u>\$ 156,380</u>	<u>\$ 1,656,380</u>

<u>Year ended December 31,</u>	Special Assessment		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 515,000	\$ 235,348	\$ 750,348
2012	655,000	226,762	881,762
2013	630,000	209,824	839,824
2014	625,000	192,719	817,719
2015	620,000	175,121	795,121
2016-2020	2,690,000	600,566	3,290,566
2021-2025	1,590,000	206,531	1,796,531
2026-2030	<u>420,000</u>	<u>41,505</u>	<u>461,505</u>
Total	<u>\$ 7,745,000</u>	<u>\$ 1,888,376</u>	<u>\$ 9,633,376</u>

Business-Type Activities

<u>Year ended December 31,</u>	<u>Enterprise Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,670,000	\$ 653,450	\$ 2,323,450
2012	1,710,000	607,515	2,317,515
2013	1,725,000	560,526	2,285,526
2014	1,765,000	512,085	2,277,085
2015	1,760,000	463,250	2,223,250
2016-2020	8,865,000	1,617,965	10,482,965
2021-2025	6,270,000	576,875	6,846,875
2026-2030	1,105,000	27,625	1,132,625
Total	<u>\$ 24,870,000</u>	<u>\$ 5,019,291</u>	<u>\$ 29,889,291</u>

Note 15 - 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, 2010, there were three series of MIDA Bonds outstanding. The aggregate principal amount payable for the three series could not be determined; however, their original issue amounts totaled \$28,813,000.

Community Development Block Grants

From time to time, the City has obtained Community Development Block Grants (CDBG) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The grants are secured by property financed and are payable solely from the payments received on the underlying mortgage grants. Upon repayment of the grants, ownership of the acquired facilities transfers to the private-sector entity served by the grant. Neither the city, the state, nor any political subdivision thereof is obligated in any manner for repayment of the grants. Accordingly, the grants are not reported as liabilities in the accompanying financial statements.

As of December 31, 2010, there was one CDBG loan outstanding, with a principal amount payable of \$80,796.

Note 16 - Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its landfill site when closed and to perform certain maintenance and monitoring functions at the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$235,190 at December 31, 2010, which is based on 48.25% usage (filled) of the landfill. It is estimated that an additional \$376,991 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and postclosure care of \$612,181 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, 2010. The estimated remaining life of the landfill is 29 years. However, the actual cost of closure and postclosure care may be higher due to inflation, changes to technology, or changes in landfill laws and regulations.

Note 17 - Pension Plan

North Dakota Public Employees' Retirement System

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

Plan members are required to contribute 4% of their annual covered salary. The City is required to contribute 5.12% of the employees' salary which consists of 4.12% for employee retirement and 1% for the retiree health benefits fund. The City has agreed to pay .88% of the member assessments in lieu of a salary increase.

Starting January 1, 2005 City joined the NDPERS law enforcement plan. Law enforcement plan members are required to contribute 4% of their annual covered salary. The City is required to contribute 9.31% of the employees' salary, which consists of 8.31% for employee retirement and 1% for the retiree health benefits fund. The city does not pay a portion of the member assessments in lieu of a salary increase.

The contribution requirements of plan members and the City are established and may be amended by the state legislature. The City's contributions to NDPERS for the years ended December 31, 2010, 2009, and 2008 were \$278,478, \$269,087, and \$224,937, respectively, equal to the required contributions for the year.

Note 18 - Deferred Compensation Plan

The city offers its employees a retirement plan under deferred compensation plans created in accordance with Internal Revenue Code Section 457. The main provider of these plans is through Nationwide Retirement Solutions. For those employees who opted not to join North Dakota Public Employees' Retirement Systems (NDPERS) when the city switched to NDPERS in 2004, the city contributes 6% of employee's salaries into the plan. The city's contribution to the plan for the years ending December 31, 2010, 2009, and 2008 were \$58,855, \$66,655, and \$64,726, 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 19 - Risk Management

The City of Williston is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, the state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$500,000 per occurrence for general liability, \$1,000,000 per occurrence for automobile liability coverage and \$3,396,869 for inland marine coverage.

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivisions with blanket fidelity bond coverage in the amount of \$2,000,000 for the city employees. The State Bonding fund does not currently charge any premium for this coverage.

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

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

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

Note 20 - Fund Deficits

The following funds were in a deficit position at December 31, 2010.

Mosquito	\$ (259,909)
Tax increment #4	(104,975)
Trailer park	(300)
Airport Project 24	(999)
Amtrak depot development	(177,351)
Water, sewer and street improvements 08-2	(666,931)
Water, sewer and street improvements 09-4	(218,887)
Airport Project 31	(227,071)
Water, sewer and street improvements 10-2	(122,335)
Water, sewer and street improvements 10-3	(6,882)
Water, sewer and street improvements 10-4	(16,508)
Water, sewer and street improvements 10-5	(9,387)
Airport Maintenance Facility	(1,319,943)
Water, sewer and street improvements 10-3-14	(26,465)
Water, sewer and street improvements 10-3-10	(21,960)
Water, sewer and street improvements 10-3-28	(13,576)
Airport Emergency Plan	(2,146)

The city will relieve the deficits with future collections or transfers from other funds.

Note 21 - Restricted Net Assets

The following details the net assets restricted for special purposes as shown on the statement of net assets:

<u>Fund</u>	<u>Amount</u>
Sales tax fund	\$ 2,106,538
Cemetery	202,258
Airport	1,277,026
Advertising	197
Band	2,810
Emergency fund	24,592
Municipal highway	1,770,960
Planning study	130,441
Insurance reserve	126,095
Visitors promotion	335,941
911 communications	5,160
Library	174,866
Social security fund	149,327
Friends of Williston community library	460
Perpetual care	353,434
Jobs creation fund	1,117,538
	<u>\$ 7,777,643</u>

Note 22 - Transfers

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2010:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	
General Fund	\$ 2,421,480	\$ 1,365,000	Budget Transfer
Sales Tax	-	4,069,913	Budget Transfer
Other Governmental Funds	9,183,882	7,277,876	Budget Transfer
Water Fund	1,222,311	101,467	Budget Transfer
Sewer Fund	320,171	121,520	Budget Transfer
Non Major Enterprise Funds	-	212,068	Budget Transfer
	<u>\$ 13,147,844</u>	<u>\$ 13,147,844</u>	

Note 23 - Subsequent Events

The City entered into contracts for construction, services and purchases of equipment totaling approximately \$27,600,000 subsequent to year-end.

The City committed approximately \$5,700,000 of soft and hard dollar incentives subsequent to year-end related to the infrastructure development of a shopping district in the City. The incentives consist of the creating of a Tax Increment Financing District, \$2,487,000 of sales tax growth created from the new retail stores over a period of nine years and Star Fund revenues of approximately \$250,000 per year for up to nine years at an estimated total of \$1,771,854.

The City issued \$24,000,000 of bonds payable subsequent to year-end.

The City approved short term funding for Western Area Water Supply in the amount of \$2,365,317 for water and sewer line construction until funds from State of North Dakota were received.



Supplementary Information
December 31, 2010

City of Williston



CPAs & BUSINESS ADVISORS

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

The City Commission
City of Williston
Williston, North Dakota

We have audited the financial statements of the governmental activities, the businesses-type activities, each major fund, and the aggregate remaining fund information of the City of Williston, North Dakota as of and for the year ended December 31, 2010, which collectively comprise the City of Williston, North Dakota's basic Financial statements and have issued our report thereon dated April 17, 2012. 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.

Internal Control over Financial Reporting

Management of the City of Williston, North Dakota is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Williston, North Dakota's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Williston, North Dakota's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we considered to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 10-1, 10-2 and 10-4 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 10-3 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Williston, North Dakota'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*.

This report is intended solely for the information and use of the city commission, management, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in dark ink and is positioned above the typed name and date.

Bismarck, North Dakota
April 17, 2012



CPAs & BUSINESS ADVISORS

Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The City Commission
City of Williston
Williston, North Dakota

Compliance

We have audited the compliance of the City of Williston, North Dakota, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Williston, North Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Williston, North Dakota's compliance with those requirements.

In our opinion, the City of Williston, North Dakota, complied, in all material respects, with the 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, 2010.

Internal Control over Compliance

Management of the City of Williston, North Dakota is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Williston, North Dakota's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Williston, North Dakota'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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the city commission, management, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Bismarck, North Dakota
April 17, 2012

City of Williston

Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

Federal Grantor, Pass-through Grantor and Program Title	Pass-through Grant Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing & Urban Development</u>			
Passed through North Dakota Division of Community Services			
Community Development Block Grant - States Program	2013-CD0506-H	14.228	\$ 13,001
Community Development Block Grant - States Program	2410-CD0208-H	14.228	187,910
Passed through North Dakota Housing Finance Agency			
Community Development Block Grant - States Program		14.228	12,032
			212,943
Total U.S. Department of Housing and Urban Development			
<u>U.S. Department of Justice</u>			
Edward Byrne Memorial Justice Assistance Grant - ARRA	STO9209	16.803 ARRA	44,427
Edward Byrne Memorial Justice Assistance Grant - ARRA		16.804 ARRA	20,107
			64,534
Total U.S. Department of Justice			
<u>U.S. Department of Transportation</u>			
Airport Improvement Program			
	AIP 3-38-0058-031-2009	20.106	376,604
	AIP 3-38-0058-032-2010	20.106	801,317
			1,177,921
Total Airport Improvement Program			
Passed through North Dakota Department of Transportation			
	STM -TEU-7-993(035)043	20.205	284,308
	STM -TEU-7-993(035)043	20.205 ARRA	210,000
	STM-SU-7-993(033)041	20.205 ARRA	1,573
	STM -SU-7-993(038)042	20.205 ARRA	250,000
	TEU -7-993-(027)035	20.205	58,000
	SU-7-993-(029)037	20.205	16,428
	SU-7-993-(036)044	20.205	641,032
Highway Planning and Construction - ARRA	SPR-P030(009)	20.205	39,205
			1,500,546
Total Highway Planning and Construction			
Total U.S. Department of Transportation			2,678,467
<u>U.S. Department of Education</u>			
Energy Grant Updates		81.128 ARRA	53,400
			53,400
Total U.S. Department of Education			
<u>U.S. Department of Homeland Security</u>			
Assistance to Firefighters Grant		97.044	75,673
Chemical Response	A0647-002-2009-HERR	97.067	97,848
			173,521
Total U.S. Department of Homeland Security			
Total expenditures of federal awards			\$ 3,182,865

Notes to Schedule of Expenditures of Federal Awards

Basis of presentation

The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the year ended December 31, 2010 as determined based on the modified accrual basis of accounting. The amounts reported on the schedule have been reconciled to and are in material agreement with amounts recorded in the accounting records from which the financial statements have been reported.

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion of the financial statements of the City of Williston.
2. Four significant deficiencies disclosed during the audit of the financial statements were reported in the 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. We consider significant deficiencies 10-1, 10-2 and 10-4 to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the City of Williston, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. The auditor's report on compliance for the major federal award program for the City of Williston expresses an unqualified opinion.
5. No audit findings relative to the major federal award programs for the City of Williston are reported in Part C of this schedule.
6. The programs tested as major programs were Airport Improvement Program, CFDA # 20.106 and Highway Planning and Construction – ARRA, CFDA # 20.205.
7. The threshold for distinguishing a Type A program was \$300,000.
8. The City of Williston was determined to be a high-risk auditee for the year ended December 31, 2010.

B. Findings - Financial Statement Audit

10-1 Recording of Transactions

Condition – We identified misstatements in the City's financial statements causing us to propose material audit adjustments.

Criteria - A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Cause – Subsidiaries for accounts were prepared but the adjustments to agree the general ledger to the subsidiaries were not all completed at year end. There were also certain transactions 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.

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

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

10-2 Preparation of Financial Statements

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

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

Cause – The City has not trained staff in GASB reporting standards.

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

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

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

10-3 Filing of Data Collection Form and Reporting Package

Condition – The December 31, 2010 audited financial statements and data collection form for the City of Williston were not filed within the time required by OMB Circular A-133.

Criteria – OMB Circular A-133 section _____.200 requires that non-federal entities that expend more than \$500,000 or more in a year in federal awards shall have a single audit conducted and section _____.320 requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor’s report or nine months after the end of the audit period.

Cause – The City does not have staff trained in GASB reporting standards and they do not have a process in place to ensure complete information is ready and available to prepare audit-ready financial statements thus prolonging the amount of time it takes an independent auditor to complete the audit and submit all required reports.

Effect – Late filing of the data collection form and reporting package will cause an auditee to be determined a “high-risk auditee” and could affect future federal grant funding.

Recommendation – We recommend the City improve their year-end processes in order to meet all filing requirements.

Response – The late filing originally stemmed from contracting with the State Auditor's Office for the 2006 audit and the delay in receiving a completed report, which affected the reporting process for future years. Although the City attempted to correct this by scheduling the 2010 audit in a timelier period of June 2011 with the hope of seeing a completed report in July 2011 because of the fixed asset reporting issues the report was again delayed. The City will continue to try to schedule in a timelier manner with the hope of seeing a report issued before the mandatory deadline and late reporting issues arise.

10-4 Staff Size in Relation to Work Demands

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

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

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

Effect – The lack of sufficient staff results in delays and errors in reconciling financial data, performing financial reporting activities and providing reliable financial data. This also results in a high likelihood that material misstatements of the City's financial statements will not be prevented, or detected and corrected on a timely basis, which was evident by the material errors identified as a result of audit procedures which are discussed in finding 10-1.

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

Response – Efforts will be made to find the money to budget for added competent staff but this will also require Board approval through the budget process.

C. Findings – Federal Audit – None

Findings - Major Federal Award Program Audit

09-4 Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Community Development Block Grants, CFDA # 14.228

Condition – The City was not properly tracking expenditures of the grant to monitor compliance with allowable costs and activities and included payments made internally to the City to transfer funds as program expenditures.

Criteria – Federal awards can only be expended for allowable activities and costs of goods and services in accordance with the federal grant.

Questioned Costs - None

Cause – The City recorded funds transferred within the City as program expenditures and actual program expenditures incurred during the year were not all recorded.

Effect – Improper monitoring of program expenditures could result in unallowable costs or activities being paid with federal funds.

Recommendation – We recommend that the City monitor program expenditures to ensure all expenditures incurred are properly recorded.

Response – The City auditor’s office will become more involved in overseeing federal grants when other departments are involved. We will make sure that we are involved in all federal program areas to ensure a file is created for each federal grant.

Status: This was corrected in the current year.

09-5 Cash Management, Community Development Block Grants, CFDA # 14.228

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

Criteria – The City must follow procedures to minimize the time elapsing between the receipt of federal funds and the disbursement of the funds to vendors when funds are advanced.

Cause – The City considered the transfer of funds within the City as payment of the funds received but the actual payment to the vendor was not made until nearly two months after the funds were received by the City.

Effect – The City could end up having excess funds on hand by not paying vendors in a timely manner and this could affect the funding received or result in the City having to repay funds.

Recommendation – We recommend the City be aware of all cash management requirements for grants and ensure funds requested in advance of payment to vendors be spent in a timely manner once the funds are received.

Response – The City auditor’s office will become more involved in overseeing federal grants when other departments are involved. We will make sure that we are involved in all federal program areas to ensure a file is created for each federal grant.

Status: This was corrected in the current year.

09-6 Level of Effort, Community Development Block Grants, CFDA # 14.228

Condition – The City did not properly monitor the local share of project funds that were required to be expended prior to the drawdown of federal funds.

Criteria – The grant agreement for the CDBG funds requires that the local share of the project costs be expended prior to the first drawdown of federal funds or at the same percentage ratio.

Questioned Costs - None

Cause – The City did not properly record all of the project expenditures to monitor the total project costs incurred at the date of the drawdown.

Effect – Improper recording and monitoring of project costs could result in the City requesting federal funds before the required levels of effort have been met by the City.

Recommendation – We recommend that the City monitor program expenditures to ensure all expenditures incurred are properly recorded and be aware of all level of effort requirements to ensure requirements have been met prior to requesting federal funds for the projects.

Response - The City auditor’s office will become more involved in overseeing federal grants when other departments are involved. We will make sure that we are involved in all federal program areas to ensure a file is created for each federal grant.

Status: This was corrected in the current year.

09-7 Reporting Community Development Block Grants, CFDA # 14.228

Condition – The total project costs reported on the December 31, 2009 semi-annual report submitted to the North Dakota Department of Commerce did not agree to the actual project costs incurred for the project as of December 31, 2009.

Criteria – The City is required to submit semi-annual reports to the North Dakota Department of Commerce and the expenditures reported should agree to the project costs incurred at the date of the report.

Cause - The City did not properly record all of the project expenditures in their general ledger and some project costs were recorded to the wrong fund in the general ledger.

Effect – Inaccurate reports could result in the City not being in compliance with reporting requirements.

Recommendation – We recommend the City record all project expenditures to the general ledger and to account for federal and project funds separately in the general ledger to ensure expenditures reported are accurate.

Response - The City auditor's office will become more involved in overseeing federal grants when other departments are involved. We will make sure that we are involved in all federal program areas to ensure a file is created for each federal grant.

Status: This was corrected in the current year.

09-8 Procurement and Suspension and Debarment, Highway Planning and Construction - ARRA, CFDA # 20.205

Condition – The City did not ensure Disadvantaged Business Enterprise (DBE) requirements were met for all contracts awarded under the Highway Planning and Construction grants. The City also did not ensure parties were not suspended or debarred prior to entering into all contracts using program funds.

Criteria – As part of the award of the Highway Planning and Construction funds, the City is required to comply with the requirements of 49 CFR Part 26, *Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs*. Entities are prohibited from contracting with or making subawards to parties that are suspended or debarred or whose principals are suspended or debarred for contracts that are expected to equal or exceed \$25,000.

Cause – The City was unfamiliar with the DBE and suspension and debarment requirements and was not aware that they fell to the local government level to coordinate.

Effect – Improper monitoring of the DBE requirements could result in enterprises not having the maximum practical opportunities to compete for subcontract work under the agreement. Failure to ensure parties are not suspended or debarred could result in the City entering into contracts with suspended or debarred parties which could affect the funding of the program.

Recommendation – We recommend that the City be aware of the DBE requirements to ensure nondiscrimination in the award and administration of DOT assisted contracts. We also recommend the City be aware of the suspension and debarment requirements and implement internal controls to ensure parties are not suspended or debarred prior to entering into contracts that are expected to equal or exceed \$25,000.

Response - The City auditor's office will become more involved in overseeing federal grants when other departments are involved. We will make sure that we are involved in all federal program areas to ensure a file is created for each federal grant.

Status: This was corrected in the current year.