



Financial Statements  
December 31, 2011  
**City of Williston**

Official Directory .....	1
Independent Auditor’s Report.....	2
Financial Statements	
Statement of Net Assets .....	4
Statement of Activities.....	6
Balance Sheet – Governmental Funds .....	7
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	9
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities .....	10
Budgetary Comparison Schedule – General Fund.....	12
Budgetary Comparison Schedule – Sales Tax Fund.....	13
Statement of Net Assets – Proprietary Funds .....	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	16
Statement of Cash Flows – Proprietary Funds.....	17
Statement of Net Assets – Fiduciary Funds .....	19
Notes to Financial Statements.....	20
Supplementary Information	
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 <i>Government Auditing Standards</i> .....	43
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 .....	45
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards ..	47
Schedule of Findings and Questioned Costs .....	49
Summary Schedule of Prior Findings .....	54

**President of the Board of City Commissioners**

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

Brad D. Bekkedahl

**City Commissioners**

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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, 2011, 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, 2011, and the respective changes in financial position, and, where applicable, cash flows, 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.

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

As discussed in Note 21 to the financial statements, the 2010 financial statements have been restated and an adjustment has been made to net assets and fund balance as of January 1, 2011 to reflect the overstatement of property tax revenues reported in the prior financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2013, on our consideration of the City of Williston, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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.

The image shows a handwritten signature in black ink that reads "Eide Sallee LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota  
May 3, 2013

City of Williston  
Statement of Net Assets  
December 31, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 31,173,450	\$ 5,062,930	\$ 36,236,380
Accounts receivable, net	236,438	1,345,673	1,582,111
Intergovernmental receivable	1,883,572		1,883,572
Taxes receivable	34,715		34,715
Due from county treasurer	99,240		99,240
Special assessments receivable	5,404,989		5,404,989
Inventory		131,991	131,991
Restricted cash and investments		2,686,217	2,686,217
Capital assets not being depreciated			
Land	6,836,590	459,670	7,296,260
Construction in progress	1,184,763	8,935,201	10,119,964
Capital assets (net of accumulated depreciation)			
Buildings	9,255,706	26,094,774	35,350,480
Improvements other than buildings	401,848	24,257,874	24,659,722
Infrastructure	43,981,844		43,981,844
Equipment	1,809,428	2,299,298	4,108,726
Total capital assets	<u>63,470,179</u>	<u>62,046,817</u>	<u>125,516,996</u>
Total assets	<u>\$ 102,302,583</u>	<u>\$ 71,273,628</u>	<u>\$ 173,576,211</u>
<b>Liabilities</b>			
Accounts payable	\$ 4,570,425	\$ 711,795	\$ 5,282,220
Retainage payable	892,211	17,882	910,093
Salaries and benefits payable	92,942	31,333	124,275
Deposits payable		31,237	31,237
Accrued interest payable	102,718	174,279	276,997
Grant payable	587,814		587,814
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	160,000		160,000
Revenue bonds payable	1,280,000	1,710,000	2,990,000
Certificates of indebtedness	12,000,000		12,000,000
Special assessment bonds payable	655,000		655,000
Compensated absences payable	359,532	74,876	434,408
Portion due after one year			
General obligation bonds payable	1,145,000		1,145,000
Revenue bonds payable	11,525,000	21,490,000	33,015,000
Special assessment bonds payable	6,575,000		6,575,000
Bond issuance costs and discounts	(283,744)	(49,246)	(332,990)
Landfill closure costs		345,592	345,592
Compensated absences payable	299,531	74,876	374,407
Total liabilities	<u>\$ 39,961,429</u>	<u>\$ 24,612,624</u>	<u>\$ 64,574,053</u>

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

City of Williston  
Statement of Net Assets  
December 31, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 53,575,179	\$ 38,896,063	\$ 92,471,242
Restricted for			
Urban and economic development	4,888,368		4,888,368
General government	502,853		502,853
Public safety	27,879		27,879
Health and welfare	34,316		34,316
Capital projects	1,293,457		1,293,457
Debt service	3,003,925	2,686,217	5,690,142
Unrestricted	<u>(984,823)</u>	<u>5,078,724</u>	<u>4,093,901</u>
Total net assets	<u>\$ 62,341,154</u>	<u>\$ 46,661,004</u>	<u>\$ 109,002,158</u>

City of Williston  
Statement of Activities  
Year Ended December 31, 2011

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	\$ 16,606,502	\$ 1,598,910	\$ 92,849	\$ 15,022	\$(14,899,721)	\$	\$ (14,899,721)
Public safety	3,571,515	1,570,495			(2,001,020)		(2,001,020)
Public works	4,585,264	655,882	923,663	3,020,409	14,690		14,690
Health and welfare	71,721	365,943			294,222		294,222
Culture and recreation	470,880	15,802	69,554		(385,524)		(385,524)
Economic development	2,205,673		555,479		(1,650,194)		(1,650,194)
Miscellaneous	1,654,663				(1,654,663)		(1,654,663)
Interest on long-term debt	820,558				(820,558)		(820,558)
Total governmental activities	<u>29,986,776</u>	<u>4,207,032</u>	<u>1,641,545</u>	<u>3,035,431</u>	<u>(21,102,768)</u>	<u>-</u>	<u>(21,102,768)</u>
Business-type activities							
Water	4,152,133	6,153,182		3,959,947		5,960,996	5,960,996
Sewer	982,787	847,906		7,882,833		7,747,952	7,747,952
Landfill	1,104,109	3,038,602				1,934,493	1,934,493
Refuse	1,031,669	1,214,355				182,686	182,686
Total business-type activities	<u>7,270,698</u>	<u>11,254,045</u>	<u>-</u>	<u>11,842,780</u>	<u>-</u>	<u>15,826,127</u>	<u>15,826,127</u>
Total primary government	<u>\$ 37,257,474</u>	<u>\$ 15,461,077</u>	<u>\$ 1,641,545</u>	<u>\$ 14,878,211</u>	<u>(21,102,768)</u>	<u>15,826,127</u>	<u>(5,276,641)</u>
<u>General Revenues</u>							
Taxes							
Property taxes, levied for general purposes					4,918,961		4,918,961
Property taxes, levied for special purposes					7,316,303		7,316,303
City sales tax					8,068,849		8,068,849
Cable franchise tax					173,452		173,452
Grants and contributions not restricted					1,034,890		1,034,890
Interest income					82,494	316	82,810
Miscellaneous revenue					665,079		665,079
Gain on sale of assets					142,097		142,097
Transfers					111,500	(111,500)	-
Total general revenues and transfers					<u>22,513,625</u>	<u>(111,184)</u>	<u>22,402,441</u>
Change in net assets					<u>1,410,857</u>	<u>15,714,943</u>	<u>17,125,800</u>
Net assets - January 1, as previously reported					61,213,197	30,946,061	92,159,258
Prior period adjustment (Note 21)					(282,900)	-	(282,900)
Net assets - January 1, as restated					<u>60,930,297</u>	<u>30,946,061</u>	<u>91,876,358</u>
Net assets - December 31					<u>\$ 62,341,154</u>	<u>\$ 46,661,004</u>	<u>\$ 109,002,158</u>

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

City of Williston  
Balance Sheet – Governmental Funds  
December 31, 2011

	General Fund	Sales Tax	Water & Sewer Improvements 12-4	Water & Sewer P181 West	Baker Hughes Sewer P190	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments	\$ 1,579,587	\$ 15,774,730	\$ -	\$ -	\$ -	\$ 13,819,133	\$ 31,173,450
Accounts receivable, net	33,846	-	-	-	-	202,592	236,438
Intergovernmental receivable	274,363	821,131	-	-	-	788,078	1,883,572
Taxes receivable	15,246	-	-	-	-	19,469	34,715
Taxes due from county treasurer	94,983	-	-	-	-	4,257	99,240
Special assessments receivable	85	-	-	-	-	17,157	17,242
Due from other funds	-	16,028,770	-	-	-	-	16,028,770
Interfund loans receivable	-	-	-	-	-	339,316	339,316
<b>Total assets</b>	<b>\$ 1,998,110</b>	<b>\$ 32,624,631</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,190,002</b>	<b>\$ 49,812,743</b>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities</b>							
Accounts payable	\$ 824,090	\$ -	\$ 1,344,008	\$ 11,084	\$ 449,115	\$ 1,942,128	\$ 4,570,425
Retainage payable	-	-	198,153	268,137	240,581	185,340	892,211
Salaries and benefits payable	57,041	-	-	-	-	35,901	92,942
Due to other funds	-	-	1,687,619	2,811,714	2,089,652	9,439,785	16,028,770
Interfund loans payable	339,316	-	-	-	-	-	339,316
Grant payable	-	-	-	-	-	587,814	587,814
Deferred revenues	15,331	-	-	-	-	36,626	51,957
<b>Total liabilities</b>	<b>1,235,778</b>	<b>-</b>	<b>3,229,780</b>	<b>3,090,935</b>	<b>2,779,348</b>	<b>12,227,594</b>	<b>22,563,435</b>
<b>Fund Balances</b>							
Nonspendable	-	-	-	-	-	339,316	339,316
Restricted	-	32,624,631	-	-	-	7,329,260	39,953,891
Committed	-	-	-	-	-	797,540	797,540
Assigned	-	-	-	-	-	4,236,178	4,236,178
Unassigned	762,332	-	(3,229,780)	(3,090,935)	(2,779,348)	(9,739,886)	(18,077,617)
<b>Total fund balances</b>	<b>762,332</b>	<b>32,624,631</b>	<b>(3,229,780)</b>	<b>(3,090,935)</b>	<b>(2,779,348)</b>	<b>2,962,408</b>	<b>27,249,308</b>
	<b>\$ 1,998,110</b>	<b>\$ 32,624,631</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,190,002</b>	<b>\$ 49,812,743</b>

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

City of Williston

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets  
Year Ended December 31, 2011

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Total fund balances for governmental funds		\$ 27,249,308
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	\$ 88,324,789	
Less accumulated depreciation	(24,854,610)	
Net capital assets		63,470,179
<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	5,387,747	
		5,439,704
<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>		
General obligation bonds payable	\$ (1,305,000)	
Revenue bonds payable	(12,805,000)	
Certificates of indebtedness	(12,000,000)	
Special assessment bonds payable	(7,230,000)	
Bond discounts	283,744	
Interest payable	(102,718)	
Compensated absences	(659,063)	
Total long-term liabilities		(33,818,037)
Total net assets of governmental activities		\$ 62,341,154

City of Williston

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds  
Year Ended December 31, 2011

	General Fund	Sales Tax	Water & Sewer Improvements 12-4	Water & Sewer P181 West	Baker Hughes Sewer P190	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes	\$ 3,559,677	\$ 8,068,849	\$ -	\$ -	\$ -	\$ 4,694,940	\$ 16,323,466
Special assessments	-	-	-	-	-	2,621,363	2,621,363
Licenses, permits and fees	1,181,025	-	-	-	-	-	1,181,025
Intergovernmental	1,034,890	-	-	-	-	3,594,757	4,629,647
Intragovernmental	540,681	-	-	-	-	-	540,681
Charges for services	518,959	-	-	-	-	1,943,608	2,462,567
Fines, forfeitures and penalties	423,235	-	-	-	-	17,217	440,452
Interest	10,107	12,882	-	-	-	59,505	82,494
Miscellaneous	451,744	-	-	-	-	213,335	665,079
Total revenues	<u>7,720,318</u>	<u>8,081,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,144,725</u>	<u>28,946,774</u>
<b>Expenditures</b>							
<b>Current</b>							
General government	2,117,874	528,346	-	-	-	1,507,378	4,153,598
Public safety	2,393,540	-	-	-	-	918,639	3,312,179
Public works	2,752,047	-	-	-	-	1,263,284	4,015,331
Health and welfare	-	-	-	-	-	71,721	71,721
Culture and recreation	-	-	-	-	-	391,884	391,884
Economic development	344,723	-	-	-	-	1,852,601	2,197,324
Other	-	-	-	-	-	1,654,663	1,654,663
Capital outlay	526,053	-	3,181,355	3,090,935	2,779,348	10,194,116	19,771,807
Debt service							
Principal	-	-	-	-	-	1,360,000	1,360,000
Interest and fiscal charges	-	24,038	-	-	-	796,520	820,558
Total expenditures	<u>8,134,237</u>	<u>552,384</u>	<u>3,181,355</u>	<u>3,090,935</u>	<u>2,779,348</u>	<u>20,010,806</u>	<u>37,749,065</u>
Excess (deficiency) of revenues over expenditures	<u>(413,919)</u>	<u>7,529,347</u>	<u>(3,181,355)</u>	<u>(3,090,935)</u>	<u>(2,779,348)</u>	<u>(6,866,081)</u>	<u>(8,802,291)</u>
<b>Other Financing Sources (Uses)</b>							
Sale of assets	-	-	-	-	-	142,097	142,097
Bond proceeds	-	24,000,000	-	-	-	-	24,000,000
Bond discounts	-	(240,000)	-	-	-	-	(240,000)
Transfers in	678,880	-	-	-	-	781,156	1,460,036
Transfers out	(6,882)	(771,254)	-	-	-	(570,400)	(1,348,536)
Total other financing sources and uses	<u>671,998</u>	<u>22,988,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,853</u>	<u>24,013,597</u>
Net change in fund balances	258,079	30,518,093	(3,181,355)	(3,090,935)	(2,779,348)	(6,513,228)	15,211,306
Fund balance - January 1, as previously reported	787,153	2,106,538	(48,425)	-	-	9,475,636	12,320,902
Prior period adjustment (note 21)	<u>(282,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(282,900)</u>
Fund balance - January 1, as restated	<u>504,253</u>	<u>2,106,538</u>	<u>(48,425)</u>	<u>-</u>	<u>-</u>	<u>9,475,636</u>	<u>12,038,002</u>
Fund balance - December 31	<u>\$ 762,332</u>	<u>\$ 32,624,631</u>	<u>\$ (3,229,780)</u>	<u>\$ (3,090,935)</u>	<u>\$ (2,779,348)</u>	<u>\$ 2,962,408</u>	<u>\$ 27,249,308</u>

City of Williston

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to  
the Government-Wide Statement of Activities  
Year Ended December 31, 2011

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Net change in fund balances- total governmental funds \$ 15,211,306

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	\$ 7,929,027	
Current year depreciation expense	<u>(1,821,719)</u>	6,107,308

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.

1,082,219

Elimination of interfund activity

Interfund receipts	\$ (417,693)	
Interfund disbursements	<u>417,693</u>	-

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

Net increase in compensated absences	\$ (52,051)	
Net decrease in interest payable	<u>410</u>	(51,641)

Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to  
the Government-Wide Statement of Activities  
Year Ended December 31, 2011

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The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net 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	\$ (24,000,000)	
Bond discounts	240,000	
Repayment of debt	<u>1,360,000</u>	(22,400,000)

The amortization of bond discount is reported as an expense in the statement of activities but is not reported in the governmental funds.

(71,071)

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.

1,532,736

Change in Net Assets of Governmental Activities

\$ 1,410,857

City of Williston  
Budgetary Comparison Schedule – General Fund  
Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Taxes	\$ 3,596,595	\$ 3,596,595	\$ 3,559,677	\$ (36,918)
Licenses, permits and fees	199,450	199,450	1,181,025	981,575
Intergovernmental	799,500	799,500	1,034,890	235,390
Intragovernmental	484,288	484,288	540,681	56,393
Charges for services	276,500	276,500	518,959	242,459
Fines, forfeitures and penalties	264,980	264,980	423,235	158,255
Interest	25,000	25,000	10,107	(14,893)
Miscellaneous	150,250	150,250	451,744	301,494
Total revenues	<u>5,796,563</u>	<u>5,796,563</u>	<u>7,720,318</u>	<u>1,923,755</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,314,873	1,314,873	2,117,874	(803,001)
Public safety	2,609,119	2,609,119	2,393,540	215,579
Public works	2,527,597	2,527,597	2,752,047	(224,450)
Economic development	376,109	376,109	344,723	31,386
Capital outlay	957,880	957,880	526,053	431,827
Total expenditures	<u>7,785,578</u>	<u>7,785,578</u>	<u>8,134,237</u>	<u>(348,659)</u>
Deficiency of revenues over expenditures	<u>(1,989,015)</u>	<u>(1,989,015)</u>	<u>(413,919)</u>	<u>1,575,096</u>
<b>Other Financing Sources (Uses)</b>				
Sale of assets	1,000	1,000	-	(1,000)
Transfers in	1,921,378	1,921,378	678,880	(1,242,498)
Transfers out	-	-	(6,882)	(6,882)
Total other financing sources (uses)	<u>1,922,378</u>	<u>1,922,378</u>	<u>671,998</u>	<u>(1,250,380)</u>
Net change in fund balances	(66,637)	(66,637)	258,079	324,716
Fund balance - January 1, as previously reported	787,153	787,153	787,153	-
Prior period adjustment (note 21)	<u>(282,900)</u>	<u>(282,900)</u>	<u>(282,900)</u>	<u>-</u>
Fund balance - January 1, as restated	<u>504,253</u>	<u>504,253</u>	<u>504,253</u>	<u>-</u>
Fund balance - December 31	<u>\$ 437,616</u>	<u>\$ 437,616</u>	<u>\$ 762,332</u>	<u>\$ 324,716</u>

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

City of Williston  
 Budgetary Comparison Schedule – Sales Tax Fund  
 Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes	\$ 5,600,000	\$ 5,600,000	\$ 8,068,849	\$ 2,468,849
Interest	-	-	12,882	12,882
Total revenues	<u>5,600,000</u>	<u>5,600,000</u>	<u>8,081,731</u>	<u>2,481,731</u>
Expenditures				
Current:				
General government	2,560,000	2,560,000	528,346	2,031,654
Interest and fiscal charges	-	-	24,038	(24,038)
Total expenditures	<u>2,560,000</u>	<u>2,560,000</u>	<u>552,384</u>	<u>2,007,616</u>
Excess of revenues over expenditures	<u>3,040,000</u>	<u>3,040,000</u>	<u>7,529,347</u>	<u>4,489,347</u>
Other Financing Sources (Uses)				
Bond proceeds	-	-	24,000,000	24,000,000
Bond discounts	-	-	(240,000)	(240,000)
Transfers out	(4,000,000)	(4,000,000)	(771,254)	3,228,746
Total other financing sources (uses)	<u>(4,000,000)</u>	<u>(4,000,000)</u>	<u>22,988,746</u>	<u>26,988,746</u>
Net change in fund balances	<u>(960,000)</u>	<u>(960,000)</u>	<u>30,518,093</u>	<u>31,478,093</u>
Fund balance - January 1	<u>2,106,538</u>	<u>2,106,538</u>	<u>2,106,538</u>	<u>-</u>
Fund balance - December 31	<u>\$ 1,146,538</u>	<u>\$ 1,146,538</u>	<u>\$ 32,624,631</u>	<u>\$ 31,478,093</u>

City of Williston  
Statement of Net Assets – Proprietary Funds  
December 31, 2011

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Landfill Fund	Non Major Enterprise Fund	
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 2,092,148	\$ 214,929	\$ 2,582,835	\$ 173,018	\$ 5,062,930
Accounts receivable, net	1,033,058	77,803	129,836	104,976	1,345,673
Inventory	115,504	16,487	-	-	131,991
Total current assets	<u>3,240,710</u>	<u>309,219</u>	<u>2,712,671</u>	<u>277,994</u>	<u>6,540,594</u>
<b>Noncurrent assets</b>					
Restricted cash and investments	2,084,375	198,250	403,592	-	2,686,217
<b>Capital assets not being depreciated</b>					
Land	380,156	-	79,514	-	459,670
Construction in progress	1,595,666	7,339,535	-	-	8,935,201
<b>Capital assets (net of accumulated depreciation)</b>					
Buildings	25,580,092	297,681	217,001	-	26,094,774
Improvements other than buildings	14,830,183	7,698,421	1,729,270	-	24,257,874
Equipment	645,638	220,287	565,513	867,860	2,299,298
Total noncurrent assets	<u>45,116,110</u>	<u>15,754,174</u>	<u>2,994,890</u>	<u>867,860</u>	<u>64,733,034</u>
Total assets	<u>\$ 48,356,820</u>	<u>\$ 16,063,393</u>	<u>\$ 5,707,561</u>	<u>\$ 1,145,854</u>	<u>\$ 71,273,628</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 124,153	\$ 272,123	\$ 141,007	\$ 174,512	\$ 711,795
Retainage payable	-	-	17,882	-	17,882
Salaries and benefits payable	12,916	4,505	4,524	9,388	31,333
Deposits payable	31,237	-	-	-	31,237
Accrued interest payable	159,218	12,821	2,240	-	174,279
Bonds payable	1,461,250	150,000	98,750	-	1,710,000
Compensated absences	43,691	8,660	5,511	17,014	74,876
Total current liabilities	<u>1,832,465</u>	<u>448,109</u>	<u>269,914</u>	<u>200,914</u>	<u>2,751,402</u>
<b>Noncurrent liabilities</b>					
Bonds payable	19,346,250	1,375,000	768,750	-	21,490,000
Bond discounts	(34,413)	(2,446)	(12,387)	-	(49,246)
Accrued closure and postclosure liability	-	-	345,592	-	345,592
Compensated absences	43,691	8,660	5,511	17,014	74,876
Total noncurrent liabilities	<u>19,355,528</u>	<u>1,381,214</u>	<u>1,107,466</u>	<u>17,014</u>	<u>21,861,222</u>
Total liabilities	<u>\$ 21,187,993</u>	<u>\$ 1,829,323</u>	<u>\$ 1,377,380</u>	<u>\$ 217,928</u>	<u>\$ 24,612,624</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, 2011

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Landfill Fund	Non Major Enterprise Fund	
Net Assets					
Invested in capital assets, net of related debt	\$ 22,258,648	\$ 14,033,370	\$ 1,736,185	\$ 867,860	\$ 38,896,063
Restricted	2,084,375	198,250	403,592	-	2,686,217
Unrestricted	2,825,804	2,450	2,190,404	60,066	5,078,724
Total net assets	<u>\$ 27,168,827</u>	<u>\$ 14,234,070</u>	<u>\$ 4,330,181</u>	<u>\$ 927,926</u>	<u>\$ 46,661,004</u>

City of Williston  
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds  
Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Landfill Fund	Non Major Enterprise Fund	
Operating Revenues					
Charges for service	\$ 6,069,911	\$ 760,351	\$ 3,020,780	\$ 1,203,108	\$ 11,054,150
Miscellaneous	83,271	87,555	17,822	11,247	199,895
Total operating revenues	<u>6,153,182</u>	<u>847,906</u>	<u>3,038,602</u>	<u>1,214,355</u>	<u>11,254,045</u>
Operating Expenses					
Salaries and benefits	740,832	291,654	212,602	521,808	1,766,896
Materials and supplies	1,388,300	291,927	494,673	290,405	2,465,305
Contractual services	49,785	24,355	41,251	29,846	145,237
Depreciation	1,288,129	321,750	330,762	189,610	2,130,251
Miscellaneous	22,899	-	-	-	22,899
Total operating expenses	<u>3,489,945</u>	<u>929,686</u>	<u>1,079,288</u>	<u>1,031,669</u>	<u>6,530,588</u>
Operating income (expense)	<u>2,663,237</u>	<u>(81,780)</u>	<u>1,959,314</u>	<u>182,686</u>	<u>4,723,457</u>
Nonoperating Revenues (Expenses)					
Capital contributions	3,959,947	7,882,833	-	-	11,842,780
Interest income	-	-	316	-	316
Interest and service charges	(662,188)	(53,101)	(24,821)	-	(740,110)
Total nonoperating revenues (expenses)	<u>3,297,759</u>	<u>7,829,732</u>	<u>(24,505)</u>	<u>-</u>	<u>11,102,986</u>
Income before transfers	<u>5,960,996</u>	<u>7,747,952</u>	<u>1,934,809</u>	<u>182,686</u>	<u>15,826,443</u>
Transfers out	<u>-</u>	<u>-</u>	<u>(44,000)</u>	<u>(67,500)</u>	<u>(111,500)</u>
Change in net assets	<u>5,960,996</u>	<u>7,747,952</u>	<u>1,890,809</u>	<u>115,186</u>	<u>15,714,943</u>
Net assets - January 1	<u>21,207,831</u>	<u>6,486,118</u>	<u>2,439,372</u>	<u>812,740</u>	<u>30,946,061</u>
Net assets - December 31	<u>\$ 27,168,827</u>	<u>\$ 14,234,070</u>	<u>\$ 4,330,181</u>	<u>\$ 927,926</u>	<u>\$ 46,661,004</u>

City of Williston  
Statement of Cash Flows – Proprietary Funds  
Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Landfill Fund	Non Major Enterprise Fund	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 5,735,994	\$ 750,099	\$ 3,019,741	\$ 1,160,182	\$ 10,666,016
Payments to suppliers	(1,468,331)	(53,731)	(309,955)	(220,004)	(2,052,021)
Payments to employees	(725,937)	(293,196)	(212,592)	(543,818)	(1,775,543)
Other operating revenue	83,271	87,555	17,822	11,247	199,895
Net Cash Provided by Operating Activities	<u>3,624,997</u>	<u>490,727</u>	<u>2,515,016</u>	<u>407,607</u>	<u>7,038,347</u>
Cash Flows from Noncapital Financing Activities					
Transfers out	-	-	(44,000)	(67,500)	(111,500)
Net Cash used by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>(44,000)</u>	<u>(67,500)</u>	<u>(111,500)</u>
Cash Flows from Capital and Related Financing Activities					
Purchases and construction of capital assets	(833,718)	(1,258,435)	(977,990)	(759,208)	(3,829,351)
Principal paid on capital debt	(1,427,500)	(145,000)	(97,500)	-	(1,670,000)
Interest paid on capital debt	(684,173)	(53,826)	(24,544)	-	(762,543)
Net Cash used by Capital and Related Financing Activities	<u>(2,945,391)</u>	<u>(1,457,261)</u>	<u>(1,100,034)</u>	<u>(759,208)</u>	<u>(6,261,894)</u>
Cash Flows from Investing Activities					
Interest Income	-	-	316	-	316
Net change in cash and cash equivalents	<u>679,606</u>	<u>(966,534)</u>	<u>1,371,298</u>	<u>(419,101)</u>	<u>665,269</u>
Cash and cash equivalents, January 1	<u>3,496,917</u>	<u>1,379,713</u>	<u>1,615,129</u>	<u>592,119</u>	<u>7,083,878</u>
Cash and cash equivalents, December 31	<u>\$ 4,176,523</u>	<u>\$ 413,179</u>	<u>\$ 2,986,427</u>	<u>\$ 173,018</u>	<u>\$ 7,749,147</u>

City of Williston  
Statement of Cash Flows – Proprietary Funds  
Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Landfill Fund	Non Major Enterprise Fund	
Reconciliation of operating income to net cash provided by operating activities					
Operating income (expense)	\$ 2,663,237	\$ (81,780)	\$ 1,959,314	\$ 182,686	\$ 4,723,457
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation expense	1,288,129	321,750	330,762	189,610	2,130,251
Change in assets and liabilities					
Accounts receivable	(333,917)	(10,252)	(1,039)	(42,926)	(388,134)
Accounts payable	(19)	262,551	97,685	100,247	460,464
Retainage payable	-	-	17,882	-	17,882
Deposits payable	(7,328)	-	-	-	(7,328)
Salaries and benefits payable	10,790	1,659	3,663	(7,757)	8,355
Compensated absences	4,105	(3,201)	(3,653)	(14,253)	(17,002)
Closure/post closure costs	-	-	110,402	-	110,402
Net cash provided by operating activities	<u>\$ 3,624,997</u>	<u>\$ 490,727</u>	<u>\$ 2,515,016</u>	<u>\$ 407,607</u>	<u>\$ 7,038,347</u>
Noncash Investing, Capital, and Financing Activities					
Contribution of capital assets from capital project funds	<u>\$ 3,959,947</u>	<u>\$ 7,882,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,842,780</u>

City of Williston  
Statement of Net Assets – Fiduciary Funds  
December 31, 2011

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	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 68,542</u>
Total assets	<u><u>\$ 68,542</u></u>
Liabilities	
Due to other parties	<u><u>\$ 68,542</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

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

### **Reporting Entity**

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

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

### **Basis of Presentation**

**Government-Wide Statements** – The statement of net 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.

Water and sewer improvements 12-4 – This fund accounts for capital project activities of the city.

Water and sewer P181 west – This fund accounts for capital project activities of the city.

Baker Hughes sewer P190 - This fund accounts for capital project activities of the city.

The city reports the following major enterprise funds:

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

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

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

#### **Cash 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, 2011, 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 historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

<u>Asset</u>	<u>Estimated Life</u>
Buildings and improvements	50 years
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 20 or more hours per week are eligible for vacation benefits on a prorated basis. Full-time non-fire department employees can accrue up to a maximum of 30 days of vacation at year end. Fire department employees can accrue up to a maximum of 144 to 288 days of vacation at year end depending on tenure with the city. Upon termination of employment, full-time non-fire department employees will be paid for vacation benefits that have been accrued to a maximum of 30 days and fire department employees will be paid 144 to 288 days depending on tenure with the city.

For full-time non-fire department employees, sick leave benefits accrue at the rate of 1 day per month. For fire department employees on 24.25 hour shifts, sick leave benefits accrue at the rate of 12 hours per month. Part-time employees working an established schedule of 20 or more hours per week are eligible for sick leave on a pro rata basis. Unused sick leave benefits are allowed to accumulate to 60 days for all full-time employees except water treatment plant employees who are on 10 hour shifts who can accumulate 600 hours and full-time 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.

## **Sales Tax Revenue**

The City receives sales tax payments through the State for local purchases. The sales tax is subject to a refund cap which is performed at the state level. The sales tax refunds are not measurable by the City until the City is notified by the State as to the amount of the refunds and the refunds are recorded at that time. Proceeds of the sales tax payments are dedicated to property tax relief through debt reduction, to necessary infrastructure and to economic and community development.

## **Fund Equity**

In 2011, the city implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditures, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts unless the governing board has provided otherwise in its commitment or assignment actions.

As of December 31, 2011, the specific purposes of the fund balance classifications consisted of the following:

	General Fund	Sales Tax	Water & Sewer Improvements 12-4	Water & Sewer P181 West	Baker Hughes Sewer P190	Other Governmental Funds	Total Governmental Funds
Fund Balances							
Nonspendable							
Interfund loan receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 339,316	\$ 339,316
Restricted for:							
Urban and economic development	-	32,624,631	-	-	-	2,466,830	35,091,461
General government	-	-	-	-	-	502,853	502,853
Public safety	-	-	-	-	-	27,879	27,879
Health and welfare	-	-	-	-	-	34,316	34,316
Capital projects	-	-	-	-	-	1,293,457	1,293,457
Debt service	-	-	-	-	-	3,003,925	3,003,925
Committed for:							
General government	-	-	-	-	-	2,865	2,865
Public safety	-	-	-	-	-	794,675	794,675
Assigned for:							
General government	-	-	-	-	-	2,081,534	2,081,534
Public works	-	-	-	-	-	1,549,635	1,549,635
Culture and recreation	-	-	-	-	-	108,285	108,285
Capital projects	-	-	-	-	-	496,724	496,724
Unassigned	762,332	-	(3,229,780)	(3,090,935)	(2,779,348)	(9,739,886)	(18,077,617)
Total fund balances	<u>\$ 762,332</u>	<u>\$ 32,624,631</u>	<u>\$ (3,229,780)</u>	<u>\$ (3,090,935)</u>	<u>\$ (2,779,348)</u>	<u>\$ 2,962,408</u>	<u>\$ 27,249,308</u>

## Note 2 - Legal Compliance – Budgets

### Budget Amendments

The city's governing board did not amend the city budgets for the year ended December 31, 2011.

**Excess of Actual Expenditures over Budget**

Expenditures exceeded budget in the following funds:

Special revenue funds	
General fund	\$ (348,659)
Social security fund	(64,216)
Special improvement deficiency	(744,996)
Planning study	(44,930)
Ambulance	(118,801)
Jobs creation fund	(657,299)
Visitor's promotion fund	(94,741)
Williston community library	(11,891)
Airport	(223,162)
Community development	(520,302)
Tax increment #5	(114,000)
2007 refunding	(110,246)

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, 2011, city's carrying amount of deposits was \$38,991,139 and the bank balance was \$40,191,882. Of the bank balances, \$1,500,000 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 or were deposits with the Bank of North Dakota.

**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, 2011, 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	<u>345,592</u>
	<u>\$ 2,686,217</u>

**Note 5 - Accounts Receivable**

Accounts receivable consists of amounts on open account from individuals for goods and services furnished by the city. The carrying amount of the accounts receivable is reduced by an amount that reflects management’s best estimates of the amounts that will not be collected. The City had allowances for uncollectible accounts totaling \$486,590 for governmental activities accounts receivable and \$3,043 for business-type activities accounts receivable recorded at December 31, 2011.

**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, 2011 all accounts are considered collectible.

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

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

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

**Note 8 - Taxes Due from County Treasurer**

The amount of taxes due from county treasurer consists of the cash on hand for taxes collected but not remitted to the City at December 31, 2011.

**Note 9 - Special Assessments Receivable**

Special assessments receivable consists of uncollected special assessments due the City at December 31<sup>st</sup> and uncertified special assessments, which represents a long-term receivable in the financial statements. No allowance has been established for uncollectible special assessments. As of December 31, 2011 all accounts are considered collectible.

**Note 10 - Due from/to other Funds**

Interfund receivables (due from other funds) and payables (due to other funds) are used when a fund has a cash deficit. Due from/to other funds at December 31, 2011 consisted of the following:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Sales tax fund	\$ -	\$ 16,028,770
Water & sewer improvements 12-4	1,687,619	-
Water & sewer P181 west	2,811,714	-
Baker Hughes sewer P190	2,089,652	-
Other governmental funds	9,439,785	-
	<u>\$ 16,028,770</u>	<u>\$ 16,028,770</u>

**Note 11 - Interfund Loans Receivable/Payable**

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

One loan was made in 2003 for \$360,000 and carries an interest rate of 5 percent. Annual payments of \$25,543 are due through July 31, 2028. The balance at December 31, 2011 is \$287,972.

The other loan was made in 2011 for \$66,000 and carries an interest rate of 4.75 percent. Annual payments of \$14,657 are due through January 1, 2015. The balance at December 31, 2011 is \$51,344.

**Note 12 - Capital Assets**

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance January 1, 2011	Additions	Transfers	Deletions	Balance December 31, 2011
Governmental activities					
Capital assets not being depreciated					
Land	\$ 6,836,590	\$ -	\$ -	\$ -	\$ 6,836,590
Construction in progress	4,692,848	1,184,763	(4,692,848)	-	1,184,763
Total	<u>11,529,438</u>	<u>1,184,763</u>	<u>(4,692,848)</u>	<u>-</u>	<u>8,021,353</u>
Capital assets, being depreciated					
Buildings	13,082,544	761,047	-	-	13,843,591
Improvements other than buildings	843,917	16,722	-	-	860,639
Equipment	8,369,451	622,107	26,298	-	9,017,856
Infrastructure	45,488,193	6,426,607	4,666,550	-	56,581,350
Total	<u>67,784,105</u>	<u>7,826,483</u>	<u>4,692,848</u>	<u>-</u>	<u>80,303,436</u>
Less accumulated depreciation					
Buildings	4,317,086	270,799	-	-	4,587,885
Improvements other than buildings	443,640	15,151	-	-	458,791
Equipment	6,709,106	499,322	-	-	7,208,428
Infrastructure	11,563,059	1,036,447	-	-	12,599,506
Total	<u>23,032,891</u>	<u>1,821,719</u>	<u>-</u>	<u>-</u>	<u>24,854,610</u>
Total capital assets being depreciated, net	<u>44,751,214</u>	<u>6,004,764</u>	<u>4,692,848</u>	<u>-</u>	<u>55,448,826</u>
Governmental activities - capital assets, net	<u>\$ 56,280,652</u>	<u>\$ 7,189,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,470,179</u>

City of Williston  
Notes to Financial Statements  
December 31, 2011

	Balance January 1, 2011	Additions	Transfers	Deletions	Balance December 31, 2011
Business-type activities					
Capital assets not being depreciated					
Land	\$ 459,670	\$ -	\$ -	\$ -	\$ 459,670
Construction in progress	-	8,935,201	-	-	8,935,201
Total	<u>459,670</u>	<u>8,935,201</u>	<u>-</u>	<u>-</u>	<u>9,394,871</u>
Capital assets, being depreciated					
Buildings	33,334,947	-	-	-	33,334,947
Improvements other than buildings	29,947,457	5,201,677	-	-	35,149,134
Equipment	4,713,193	1,535,253	-	(299,155)	5,949,291
Total	<u>67,995,597</u>	<u>6,736,930</u>	<u>-</u>	<u>(299,155)</u>	<u>74,433,372</u>
Less accumulated depreciation					
Buildings	6,573,474	666,699	-	-	7,240,173
Improvements other than buildings	10,068,483	822,777	-	-	10,891,260
Equipment	3,308,373	640,775	-	(299,155)	3,649,993
Total	<u>19,950,330</u>	<u>2,130,251</u>	<u>-</u>	<u>(299,155)</u>	<u>21,781,426</u>
Total capital assets being depreciated, net	<u>48,045,267</u>	<u>4,606,679</u>	<u>-</u>	<u>-</u>	<u>52,651,946</u>
Business-type activities - capital assets, net	<u>\$ 48,504,937</u>	<u>\$ 13,541,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,046,817</u>

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

Governmental activities	
General government	\$ 487,412
Public safety	259,336
Public works	987,626
Economic development	8,349
Culture and recreation	78,996
Total depreciation expense for governmental activities	<u>\$ 1,821,719</u>
Business type activities	
Refuse	\$ 189,610
Sewer	321,750
Water	1,288,129
Landfill	330,762
Total depreciation expense for business-type activities	<u>\$ 2,130,251</u>

As of December 31, 2011, the City had outstanding commitments of \$8,257,843 related to construction projects.

**Note 13 - Long-Term Obligations**

During the year ended December 31, 2011, the following changes occurred in long-term liabilities of the city:

**Governmental Activities**

	Balance January 1, 2011	Additions	Reductions	Balance December 31, 2011	Due Within One Year
Compensated absences	\$ 607,012	\$ 453,389	\$ 401,338	\$ 659,063	\$ 359,532
General obligation	1,455,000	-	150,000	1,305,000	160,000
Revenue bonds	1,500,000	12,000,000	695,000	12,805,000	1,280,000
Certificates of indebtedness	-	12,000,000	-	12,000,000	12,000,000
Special assessment	7,745,000	-	515,000	7,230,000	655,000
<b>Total</b>	<b>\$ 11,307,012</b>	<b>\$24,453,389</b>	<b>\$ 1,761,338</b>	<b>\$ 33,999,063</b>	<b>\$ 14,454,532</b>

**Business-Type Activities**

Compensated absences	\$ 166,753	\$ 101,730	\$ 118,731	\$ 149,752	\$ 74,876
Revenue bonds	24,870,000	-	1,670,000	23,200,000	1,710,000
<b>Total</b>	<b>\$ 25,036,753</b>	<b>\$ 101,730</b>	<b>\$ 1,788,731</b>	<b>\$ 23,349,752</b>	<b>\$ 1,784,876</b>

Outstanding debt at December 31, 2011 (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.	\$ 100,000
\$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.	725,000
\$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.	480,000
<b>Total</b>	<b>\$ 1,305,000</b>

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 \$1,424,165. Principal and interest paid for the current year and total customer and tax revenues were \$182,843 and \$398,653, 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	\$ 1,360,000
\$10,000,000 Sales Tax Revenue Bonds of 2011 Series B - due in annual installments of \$270,000 to \$1,855,000 through May 1, 2020; interest at 0.75% to 3.00%; liquidated out of the 2011 B Tax Anticipation Bond Fund	10,000,000
\$2,000,000 Sales Tax Revenue Bonds of 2011 Series A - due in annual installments of \$305,000 to \$570,000 through May 1, 2013; interest at 1.00% to 1.25%; liquidated out of the 2011 A Sales Bond Fund	<u>1,445,000</u>
Total	<u><u>\$ 12,805,000</u></u>

Revenue bonds are issued to finance capital improvement projects in which revenue from operations of such improvement projects or revenue is pledged from a designated revenue stream is used pay the debt service. The City has committed to appropriate each year, the portion of the City's one percent sales and use tax revenues necessary to pay the annual principal and interest requirements on the revenue bonds. Proceeds from the bonds provided financing for the construction of a hangar at the Williston Airport and infrastructure needs of the city. The bonds are payable through 2020. The total principal and interest remaining to be paid on the bonds is \$14,312,782. Principal and interest paid for the current year and total customer and tax revenues were \$792,952 and \$8,068,849, respectively.

**Certificates of Indebtedness**

\$12,000,000 Taxable Certificate of Indebtedness of 2011 - due in full on December 1, 2012; interest at 1.00%, liquidated out of the 2011 B Tax Anticipation Bond Fund	<u><u>\$ 12,000,000</u></u>
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The City issued certificates of indebtedness pursuant to Chapter 21-02 of the North Dakota Century Code, which gives the City the authority to issue certificates of indebtedness in anticipation of receipt of grant revenues from a State of North Dakota appropriation. The Energy Infrastructure and Impact Office in the State of North Dakota approved the City for one or more grants in the amount of \$12,000,000. The City dedicated and pledged for payment of the principal and interest on the certificates of indebtedness and any bonds issued to refund the certificates of indebtedness, the grant revenues to be received from the State of North Dakota.

Subsequent to year-end, the certificates of indebtedness were paid in full at the scheduled maturity date through grant revenues from the State of North Dakota.

**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.	\$ 20,000
\$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.	290,000
\$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.	10,000
\$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.	435,000
\$440,000 Refunding Improvement Bonds of 2006 Series A - due in annual installments of \$20,000 to \$40,000, starting on May 1, 2008 through May 1, 2022; with interest at 3.625% to 4.0%; liquidated out of the Tax Increment # 4 Fund.	350,000
\$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.	550,000
\$1,020,000 Refunding Improvement Bonds of 2007 - due in annual installments of \$65,000 to \$80,000 through May 1, 2022; interest at 3.60% to 4.15%; liquidated out of the 2007 Refunding Fund.	705,000
\$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	2,230,000
\$1,900,000 Refunding Improvement Bonds of 2010 - due in annual installments of \$80,000 to \$120,000 through May 1, 2030; interest at 1.00% to 4.10%; liquidated out of the 2010A Refunding 1.9 Mil Fund	1,900,000
\$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>\$ 7,230,000</u>

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

**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.	\$ 40,000
\$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.	180,000
\$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.	160,000
\$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.	165,000
\$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.	275,000
\$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.	630,000

\$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.	2,195,000
\$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.	735,000
\$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.	2,430,000
\$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.	14,020,000
\$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>2,370,000</u>
Total	<u><u>\$ 23,200,000</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 \$27,565,841. Principal and interest paid for the current year and total customer and supplemental sales tax revenues were \$2,432,543 and \$8,068,849, 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, 2011.

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		
	Principal	Interest	Total
2012	\$ 160,000	\$ 50,139	\$ 210,139
2013	160,000	46,158	206,158
2014	165,000	39,388	204,388
2015	175,000	32,163	207,163
2016	150,000	25,225	175,225
2017-2021	495,000	34,194	529,194
Total	<u>\$ 1,305,000</u>	<u>\$ 227,267</u>	<u>\$ 1,532,267</u>

<u>Year ended December 31,</u>	Governmental Revenue Bonds		
	Principal	Interest	Total
2012	\$ 1,280,000	\$ 253,065	\$ 1,533,065
2013	1,295,000	238,531	1,533,531
2014	1,310,000	223,707	1,533,707
2015	1,325,000	204,998	1,529,998
2016	1,345,000	183,529	1,528,529
2017-2021	6,250,000	403,953	6,653,953
Total	<u>\$12,805,000</u>	<u>\$ 1,507,782</u>	<u>\$ 14,312,782</u>

<u>Year ended December 31,</u>	Certificate of Indebtedness		
	Principal	Interest	Total
2012	<u>\$12,000,000</u>	<u>\$ 120,000</u>	<u>\$ 12,120,000</u>

<u>Year ended December 31,</u>	Special Assessment		
	Principal	Interest	Total
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	605,000	157,065	762,065
2017-2021	2,535,000	511,863	3,046,863
2022-2026	1,230,000	153,195	1,383,195
2027-2031	330,000	26,480	356,480
Total	<u>\$ 7,230,000</u>	<u>\$ 1,653,029</u>	<u>\$ 8,883,029</u>

**Business-Type Activities**

<u>Year ended December 31,</u>	<u>Enterprise Revenue</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,710,000	416,515	2,126,515
2017-2021	8,740,000	1,385,825	10,125,825
2022-2026	5,790,000	420,125	6,210,125
Total	<u>\$23,200,000</u>	<u>\$ 4,365,841</u>	<u>\$ 27,565,841</u>

**Note 14 - Conduit Debt**

**Municipal Industrial Development Bonds**

From time to time, the City has issued Municipal Industrial Development Act (MIDA) Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2011, 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, 2011, there was one CDBG loan outstanding, with a principal amount payable of \$80,796.

### **Note 15 - Closure and Postclosure Care Cost**

State and federal laws and regulations require the City to place a final cover on its landfill site when closed and to perform certain maintenance and monitoring functions at the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$345,592 at December 31, 2011, which is based on 55.95% usage (filled) of the landfill. It is estimated that an additional \$272,099 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 \$617,691 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, 2011. The estimated remaining life of the landfill is 28 years. However, the actual cost of closure and postclosure care may be higher due to inflation, changes to technology, or changes in landfill laws and regulations.

### **Note 16 - Pension Plan**

#### **North Dakota Public Employees' Retirement System**

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

Plan members are required to contribute 5% of their annual covered salary. The City is required to contribute 6.26% of the employees' salary which consists of 5% for employee retirement and 1.26% 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 4.5% of their annual covered salary. The City is required to contribute 9.95% of the employees' salary, which consists of 8.81% for employee retirement and 1.14% for the retiree health benefits fund. The city does not pay a portion of the member assessments in lieu of a salary increase.

The contribution requirements of plan members and the City are established and may be amended by the state legislature. The City's contributions to NDPERS for the years ended December 31, 2011, 2010, and 2009 were \$332,617, \$278,478, and \$269,087, respectively, equal to the required contributions for the year.

### **Note 17 - Deferred Compensation Plan**

The city offers its employees a retirement plan under deferred compensation plans created in accordance with Internal Revenue Code Section 457. The main provider of these plans is through Nationwide Retirement Solutions. For those employees who opted not to join North Dakota Public Employees' Retirement Systems (NDPERS) when the city switched to NDPERS in 2004, the city contributes 6% of employee's salaries into the plan. The city's contribution to the plan for the years ending December 31, 2011, 2010, and 2009 were \$40,668, \$58,855, and \$66,655, respectively, equal to the required contributions for the year.

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

### **Note 18 - Risk Management**

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

In 1986, the state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of 1,000,000 per occurrence for general liability, \$1,000,000 per occurrence for automobile liability coverage and \$3,424,186 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 19 - Fund Deficits**

The following funds were in a deficit position at December 31, 2011.

Water and sewer improvements 12-4	\$ (3,229,780)
Water and sewer P181 west	(3,090,935)
Baker Hughes sewer P190	(2,779,348)
City building fund	(354)
Planning study	(64,957)
Parking authority	(7,833)
911 communications	(26,355)
Tax increment #4 - Spring Creek	(107,746)
Pension fund	(211,362)
Social security fund	(25,355)
2011 A sales bond	(619,943)
2011 B tax anticipation bond	(80,361)
Amtrak depot development	(171,956)
Airport project 32 construction	(2,564)
Water, sewer and street improvements 10-2	(128,568)
Water, sewer and street improvements 10-3	(3,843)
Airport project 33 master plan update	(34,546)
Airport maintenance facility	(1,361,480)
Water, sewer and street improvements 10-3-28	(23,554)
Airport emergency plan	(916)
Water, sewer and street improvements 10-3-29	(25,273)
Street and storm sewer improvements 10-7	(665,926)
Water, sewer and street improvements 11-3	(1,686,964)
Street and alley improvements 11-4	(1,046,492)
Sloulin field overlay 11-2	(563,601)
East Broadway water main 11-5	(806,176)
Sidewalk 2011-1	(28,066)
Water, sewer and street improvements 11-6	(33,392)
Sand Creek P191	(62,591)
Water and sewer north industrial park	(1,949,712)
	\$ (18,839,949)

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

Subsequent to year-end, the City relieved the following deficits through transfers from other funds:

- \$16,010,713 in the water and sewer improvements 12-4, water and sewer P181 west, Baker Hughes sewer P190, 2011 B tax anticipation bond, water, sewer and street improvements 10-3-28, water, sewer and street improvements 10-3-29, street and storm sewer improvements 10-7, water, sewer and street improvements 11-3, street and alley improvements 11-4, Sloulin field overlay 11-2, East Broadway water main 11-5, Sand Creek P191 and the water and sewer north industrial park funds through transfers from the sales tax fund;
- \$333,916 in the Amtrak depot development, water, sewer and street improvements 10-2 and the water, sewer and street improvements 11-6 funds through transfers from the special improvement deficiency fund
- \$328,029 in the planning study, 911 communications, pension fund and social security fund through transfers from the general fund
- \$7,833 in the parking authority fund through transfers from the parking lot district fund.
- \$28,066 in the sidewalk 2011-1 fund through transfers from the sidewalk fund.

**Note 20 - 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, 2011:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	
General Fund	\$ 567,380	\$ 6,882	Budget Transfer
General Fund	44,000	-	Budget Transfer
General Fund	67,500	-	Budget Transfer
Sales Tax	-	771,254	Budget Transfer
Other Governmental Funds	771,254	567,380	Budget Transfer
Other Governmental Funds	6,882	-	Budget Transfer
Other Governmental Funds	3,020	3,020	Budget Transfer
Landfill Fund	-	44,000	Budget Transfer
Non Major Enterprise Funds	-	67,500	Budget Transfer
	<u>\$ 1,460,036</u>	<u>\$ 1,460,036</u>	
Total transfers			

**Note 21 - Prior Period Adjustment**

Prior to January 1, 2011, the City included property taxes levied as of January 1 that were collected by the county treasurer in December of the prior year and remitted to the City in January of the levy year as revenues and as receivable at year-end rather than when the revenue recognition criteria had been met. The beginning fund balance of the General fund and beginning net assets of Governmental Activities have been restated to reflect the overstatement of property tax revenues reported in the prior financial statements. The effects of the restatements are as follows:

	<u>General Fund</u>	<u>Governmental Activities</u>
Fund balance/net assets, as previously reported	\$ 787,153	\$ 61,213,197
Prior period adjustment		
Property tax revenues	<u>(282,900)</u>	<u>(282,900)</u>
Fund balances/net assets, as restated	<u>\$ 504,253</u>	<u>\$ 60,930,297</u>

**Note 22 - Subsequent Events**

In addition to the subsequent events discussed in notes 13 and 19, the City issued \$5,795,000 of refunding improvement bonds subsequent to year-end.

The City also entered into contracts for construction, services and purchases of equipment totaling approximately \$23,000,000 subsequent to year-end.



Supplementary Information  
December 31, 2011  
**City of Williston**



**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, 2011, which collectively comprise the City of Williston, North Dakota's basic Financial statements and have issued our report thereon dated May 3, 2013. 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 items 11-1, 11-2, and 11-4 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 11-3, 11-5, and 11-6 to be significant deficiencies.

### **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*.

The City of Williston's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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  
May 3, 2013



**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 City of Williston, North Dakota's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. 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, 2011.

## 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 the 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 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 11-7. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Williston's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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  
May 3, 2013

City of Williston

Schedule of Expenditures of Federal Awards and Notes to the Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2011

Federal Grantor, Pass-through Grantor and Program Title	Pass-through Grant Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing &amp; Urban Development</u>			
Passed through North Dakota Division of Community Services			
Community Development Block Grant - States Program	3002-SL10-ED	14.228	\$ 259,000
Community Development Block Grant - States Program	2013-CD0506-H	14.228	13,712
Community Development Block Grant - States Program	2399-CD08-PF	14.228	10,177
Passed through North Dakota Housing Finance Agency			
Community Development Block Grant - States Program	2410-CD0208-H	14.228	272,590
Total U.S. Department of Housing and Urban Development			555,479
<u>U.S. Department of Justice</u>			
Bulletproof Vest Partnership Program		16.607	1,454
Passed through North Dakota Department of Attorney General			
Edward Byrne Memorial Justice Assistance Grant		16.738	9,741
ARRA - Edward Byrne Memorial Justice Assistance Grant	STO9209	16.803	1,293
Cluster total			11,034
Total U.S. Department of Justice			12,488
<u>U.S. Department of Transportation</u>			
Airport Improvement Program		20.106	1,755,730
Passed through North Dakota Department of Transportation			
Highway Planning and Construction	TEU-SRU-7993(040)047	20.205	136,838
Highway Planning and Construction	SU-7993(037)045	20.205	269,594
Highway Planning and Construction	SU-7993(039)046	20.205	812,625
Total Highway Planning and Construction			1,219,057
State and Community Highway Safety	PHSP4021205-04-30	20.600	994
State and Community Highway Safety	PHSP4021107-02-34	20.600	1,500
Alcohol Highway Safety	PHSP4101203-01-30	20.601	1,133
Cluster total			3,627
Total U.S. Department of Transportation			2,978,414
<u>U.S. Department of Energy</u>			
Passed through North Dakota Department of Commerce			
ARRA - State Energy Program		81.041	18,000
Total U.S. Department of Energy			18,000
<u>U.S. Department of Homeland Security</u>			
Disaster Grants - Public Assistance		97.036	58,801
Total U.S. Department of Homeland Security			58,801
Total expenditures of federal awards			\$ 3,623,182

**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, 2011 as determined based on the modified accrual basis of accounting.

**A. Summary of Auditor's Results**

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency	Yes
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over federal programs:	
Material weakness identified	No
Significant deficiency	Yes
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA number</u>
Community Development Block Grant - States Program	14.228
Airport Improvement Program	20.106
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee	No

## **B. Findings - Financial Statement Audit**

### **11-1 Recording of Transactions**

Condition – We identified misstatements in the City’s financial statements causing us to propose material audit adjustments, including a prior period adjustment to the financial statements.

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.

### **11-2 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.

### **11-3 Filing of Data Collection Form and Reporting Package**

Condition – The December 31, 2011 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 accounting department for the City of Williston is handling significant increases in activity and transactions on a daily basis which affects the timing of the reconciliation of financial data, financial reporting activities and analysis of the data to prepare for the year-end audit process.

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

Response – The City has experienced significant growth over the last few years due to the oil activity in the area. This has resulted in increased workloads for the staff on hand and challenges in hiring additional accounting staff due to budget constraints and competition with other businesses in Williston that are also experiencing extreme growth. The City has transitioned duties in the accounting department, has been hiring additional employees and will continue to evaluate the duties being performed and the need for additional staff.

### **11-4 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 11-1.

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 – The City has experienced significant growth over the last few years due to the oil activity in the area. This has resulted in increased workloads for the staff on hand and challenges in hiring additional accounting staff due to budget constraints and competition with other businesses in Williston that are also experiencing extreme growth. The City has transitioned duties in the accounting department, has been hiring additional employees and will continue to evaluate the duties being performed and the need for additional staff.

#### **11-5 Outstanding Checks on Bank Reconciliation**

Condition – The City has a significant amount of outstanding checks on its bank reconciliation that were manually transferred to the reconciliation during the City’s conversion to its current accounting software. The City has support for the outstanding checks and can identify if they are still outstanding and if they have cleared the City’s bank account. However, the steps to clear the checks have not been done.

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

Cause – The checks were outstanding at the time of the City’s conversion to its current accounting software and as part of the conversion, the outstanding checks were manually entered in the current system. Additional steps are required to clear the conversion checks which have not been completed.

Effect – Lack of internal controls over reviewing old outstanding items could result in cash balances being misstated.

Recommendation – We recommend the City complete the steps required to clear the checks and remove them from the outstanding list if they have cleared the City’s bank account.

Response – The City will make added efforts in getting old checks processed.

### **11-6 Travel Reimbursements**

Condition – Travel reimbursements incurred by employees are not consistently approved by someone in a supervisory position over the employees.

Criteria – A good system of internal control includes proper authorization of transactions and pre-determined levels of authority to authorize transactions.

Cause – The City has not developed and documented specific internal controls related to the levels of authority required to approve travel expenditures for employees and department heads.

Effect – This provides opportunity for fraudulent transactions to occur.

Recommendation – We recommend the City adopt and document the required levels of authority to approve travel expenditures in which the expenditures incurred by an employee are approved by someone in a supervisory position over the employee. Specifically, travel expenditures incurred by Department Heads should be approved by the City Auditor and travel expenditures incurred by the City Auditor should be approved by a member of the Board of City Commissioners.

Response – The City is reviewing the policy and will consider having the portfolio commissioner review the City Auditor's travel expenditures and is looking at the best solution for approving other Department Head's travel expenditures.

### **C. Findings – Federal Audit**

#### **11-7 Cash Management, Airport Improvement Program, CFDA # 20.106, 2011 Award Year**

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.

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 federal 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 will make added efforts to pay vendors in a timely manner.

None