

**CITY OF WILLISTON  
WILLISTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

## TABLE OF CONTENTS

	<b>Page</b>
<b>OFFICIAL DIRECTORY (UNAUDITED)</b>	<b>1</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>2</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
Statement of Net Position	6
Statement of Activities	7
<b>FUND FINANCIAL STATEMENTS:</b>	
Balance Sheet - Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Sales Tax Fund	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Municipal Highway Fund	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Tax Increment #10 Fund	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Net Position - Fiduciary Funds	20
Notes to the Financial Statements	21
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of City's Contributions to NDPERS Retirement Fund	50

Schedule of City's and Non-Employer Proportionate Share of the Net Pension Liability	51
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>52</b>
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>54</b>
Schedule of Expenditures of Federal Awards	56
Notes to the Schedule of Expenditures of Federal Awards	57
Schedule of Findings and Questioned Costs	58
Summary Schedule of Prior Year Findings	62

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**CITY OF WILLISTON**  
OFFICIAL DIRECTORY (UNAUDITED)  
AS OF DECEMBER 31, 2015

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



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williston, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

The City has not recorded capital assets and related depreciation for infrastructure contributed to the City from developers. Accounting principles generally accepted in the United States of America require that the City record contributed capital for infrastructure contributed from third parties. The amount by which this departure would affect the assets, net position, revenues and expenses of the governmental activities, business-type activities, water fund, sewer fund, and aggregate remaining fund information has not been determined.

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

In our opinion, except for the effects of the matter as described in the “Basis for Qualified Opinions on the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Aggregate Remaining Fund Information” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Aggregate Remaining Fund Information of the City of Williston, North Dakota, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Sales Tax, Municipal Highway, Tax Increment #10, and Capital Project funds of the City of Williston, as of December 31, 2015, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and major Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 19 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 19 to the financial statements, the City has restated the previously reported Net position in accordance with this statement. Our opinions are not modified with respect to this matter.

As described in Note 19 to the financial statements, the City has restated the prior period financial statements for the treatment of an agency fund, fund classification of debt, beginning balance of assessment receivable, classification of funds, and recording a service concession arrangement. Our opinion has not been modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

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

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

### *Other Information*

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016 on our consideration of the City of Williston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Williston's internal control over financial reporting and compliance.



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

September 26, 2016

**CITY OF WILLISTON**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2015**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Investments	\$ 45,247,008	\$ 11,468,128	\$ 56,715,136
Accounts Receivable (Net)	1,782,891	2,106,379	3,889,270
Current Portion of Receivable from WAWSA	-	1,378,750	1,378,750
Investments in Partnerships	1,725,000	-	1,725,000
Intergovernmental Receivable, Net	6,452,990	-	6,452,990
Taxes Receivable	429,913	-	429,913
Special Assessments Receivable	32,959,302	-	32,959,302
Internal Balances	3,747,051	(3,747,051)	-
Inventory	-	322,344	322,344
Total Current Assets	<u>92,344,155</u>	<u>11,528,550</u>	<u>103,872,705</u>
Restricted Cash and Cash Equivalents	91,742,856	7,193,998	98,936,854
Receivable from WAWSA - Net of Current Portion	-	12,585,000	12,585,000
Capital Assets not being Depreciated:			
Land	12,723,276	457,470	13,180,746
Construction in Progress	66,343,484	140,132,049	206,475,533
Capital Assets (Net of Accumulated Depreciation)			
Buildings	10,724,609	88,760,182	99,484,791
Improvements other than Buildings	70,878,442	53,701,775	124,580,217
Equipment	7,971,423	4,852,437	12,823,860
Total Capital Assets (Net of Accumulated Depreciation)	<u>168,641,234</u>	<u>287,903,913</u>	<u>456,545,147</u>
Total Non-Current Assets	<u>260,384,090</u>	<u>307,682,911</u>	<u>568,067,001</u>
Total Assets	<u>352,728,245</u>	<u>319,211,461</u>	<u>671,939,706</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Cost Sharing Defined Benefit Pension Plan	1,717,627	426,729	2,144,356
Total Deferred Outflows of Resources	<u>1,717,627</u>	<u>426,729</u>	<u>2,144,356</u>
<b>LIABILITIES</b>			
Accounts Payable	10,055,214	547,264	10,602,478
Escrow Payable	1,329,222	-	1,329,222
Retainage Payable	6,382,014	-	6,382,014
Salaries and Benefits Payable	879,142	127,283	1,006,425
Deposits Payable	-	50,692	50,692
Grant Payable	311,469	-	311,469
Accrued Interest Payable	1,199,926	548,089	1,748,015
Long-Term Liabilities Due Within One Year	17,060,600	4,533,242	21,593,842
Noncurrent Liabilities:			
General Obligation Bonds Payable	645,000	-	645,000
Revenue Bonds Payable	86,395,000	92,607,326	179,002,326
Special Assessment Bonds Payable	38,055,000	-	38,055,000
Bond Premiums	(402,274)	(35,427)	(437,701)
Bond Discounts	3,394,644	-	3,394,644
Landfill Closure Costs	-	540,515	540,515
Net Pension Liability	5,985,300	1,346,979	7,332,279
Compensated Absences Payable	1,086,766	295,212	1,381,978
Less Amounts Due within One Year	<u>(17,060,600)</u>	<u>(4,533,242)</u>	<u>(21,593,842)</u>
Total Liabilities	<u>155,316,423</u>	<u>96,027,933</u>	<u>251,344,356</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Cost Sharing Defined Benefit Pension Plan	737,441	148,444	885,885
Deferred Inflows - Western Area Water Supply Authority	-	71,623,158	71,623,158
Total Deferred Inflows of Resources	<u>737,441</u>	<u>71,771,602</u>	<u>72,509,043</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	109,326,083	123,708,856	233,034,939
Restricted for:			
Urban and Economic Development	23,354,700	-	23,354,700
General Government	231,318	-	231,318
Culture and Recreation	1,364,673	-	1,364,673
Public Works	399,568	-	399,568
Airport	2,121,869	-	2,121,869
Public Safety	8,461,616	-	8,461,616
Health and Welfare	1,152,879	-	1,152,879
Capital Projects	2,462,333	-	2,462,333
Debt Service	46,336,253	7,193,998	53,530,251
Unrestricted	<u>3,180,716</u>	<u>20,935,801</u>	<u>24,116,517</u>
Total Net Position	<u>\$ 198,392,008</u>	<u>\$ 151,838,655</u>	<u>\$ 350,230,663</u>

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating</u>	<u>Capital</u>	<u>Primary Government</u>		
			<u>Grants and Contributions</u>	<u>Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 12,204,857	\$ 3,613,052	\$ 236,313	\$ -	\$ (8,355,492)	\$ -	\$ (8,355,492)
Public Safety	10,477,834	2,555,054	167,359	-	(7,755,421)	-	(7,755,421)
Public Works	97,797,739	-	971,415	78,545,833	(18,280,491)	-	(18,280,491)
Health and Welfare	620,512	658,987	-	-	38,475	-	38,475
Culture and Recreation	15,056,946	229,377	85,238	-	(14,742,331)	-	(14,742,331)
Economic Development	3,455,606	-	581,421	-	(2,874,185)	-	(2,874,185)
Airport	1,528,435	2,457,942	58,913	-	988,420	-	988,420
Interest and Fees	4,258,694	-	-	-	(4,258,694)	-	(4,258,694)
Total Governmental Activities	<u>145,400,623</u>	<u>9,514,412</u>	<u>2,100,659</u>	<u>78,545,833</u>	<u>(55,239,719)</u>	<u>-</u>	<u>(55,239,719)</u>
Business-type Activities:							
Water	10,324,239	11,958,271	-	12,591,676	-	14,225,708	14,225,708
Sewer	3,496,162	1,776,892	-	68,283,337	-	66,564,067	66,564,067
Landfill	1,492,956	3,871,103	-	1,181,445	-	3,559,592	3,559,592
Refuse	2,709,361	2,556,362	-	-	-	(152,999)	(152,999)
Total Business-type Activities	<u>18,022,718</u>	<u>20,162,628</u>	<u>-</u>	<u>82,056,458</u>	<u>-</u>	<u>84,196,368</u>	<u>84,196,368</u>
Total Primary Government	<u>\$ 163,423,341</u>	<u>\$ 29,677,040</u>	<u>\$ 2,100,659</u>	<u>\$ 160,602,291</u>			
General Revenues:							
Property Taxes							
Property Taxes, Levied for General Purposes					34,435,668	-	34,435,668
Property Taxes, Levied for Special Purposes					6,337,923	-	6,337,923
City Sales Tax					32,826,967	-	32,826,967
Cable Franchise Tax					317,100	-	317,100
Interest					122,652	184	122,836
Oil and Gas Royalties					1,057,624	-	1,057,624
Refunds and Reimbursements					1,446,305	-	1,446,305
Miscellaneous Revenue					673,276	-	673,276
Gain on Sale of Capital Asset					377,602	51,400	429,002
Transfers					60,633,142	(60,633,142)	-
Total General Revenues and Transfers					<u>138,228,259</u>	<u>(60,581,558)</u>	<u>77,646,701</u>
Change in Net Position					82,988,540	23,614,810	106,603,350
Net Position - Beginning					117,730,254	131,893,068	249,623,322
Prior Period Restatement - See Note 19					(2,326,786)	(3,669,223)	(5,996,009)
Net Position - Beginning As Restated					<u>115,403,468</u>	<u>128,223,845</u>	<u>243,627,313</u>
Net Position - Ending					<u>\$ 198,392,008</u>	<u>\$ 151,838,655</u>	<u>\$ 350,230,663</u>

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**AS OF DECEMBER 31, 2015**

	General	Sales Tax	Municipal Highway	Tax Increment #10	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 8,623,293	\$ 8,653,506	\$ -	\$ -	\$ -	\$ 27,970,209	\$ 45,247,008
Accounts receivable, net	573,820	-	11,348	-	35,457	1,162,266	1,782,891
Investments in partnerships	-	-	-	-	-	1,725,000	1,725,000
Intergovernmental receivable, net	3,577,746	1,183,517	178,659	-	285,605	1,227,463	6,452,990
Taxes receivable	239,109	-	-	54,787	-	136,017	429,913
Special assessments receivable	27,267	-	-	-	25,517	2,737,419	2,790,203
Due from other funds	17,385,768	-	-	-	-	-	17,385,768
Interfund loans receivable	-	-	-	-	-	239,939	239,939
Restricted cash and investments	150,000	8,462,220	-	-	83,130,636	-	91,742,856
<b>Total Assets</b>	<b>\$ 30,577,003</b>	<b>\$ 18,299,243</b>	<b>\$ 190,007</b>	<b>\$ 54,787</b>	<b>\$ 83,477,215</b>	<b>\$ 35,198,313</b>	<b>\$ 167,796,568</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>							
Liabilities							
Accounts payable	\$ 688,893	\$ 610,847	\$ 265,495	\$ -	\$ 8,336,069	\$ 153,910	\$ 10,055,214
Escrow payable	1,329,222	-	-	-	-	-	1,329,222
Retainage payable	-	-	-	-	6,382,014	-	6,382,014
Salaries and benefits payable	756,242	-	-	-	-	122,900	879,142
Due to other funds	-	-	6,560,415	7,078,302	-	-	13,638,717
Interfund loans payable	239,939	-	-	-	-	-	239,939
Grant payable	-	-	-	-	-	311,469	311,469
<b>Total Liabilities</b>	<b>3,014,296</b>	<b>610,847</b>	<b>6,825,910</b>	<b>7,078,302</b>	<b>14,718,083</b>	<b>588,279</b>	<b>32,835,717</b>
Deferred Inflows of Resources							
Unavailable revenue - property taxes	239,109	-	-	54,787	-	136,017	429,913
Unavailable revenue - special assessments	25,778	-	-	-	13,810	1,646,060	1,685,648
<b>Total Deferred Inflows of Resources:</b>	<b>264,887</b>	<b>-</b>	<b>-</b>	<b>54,787</b>	<b>13,810</b>	<b>1,782,077</b>	<b>2,115,561</b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	1,964,939	1,964,939
Restricted	2,919,226	17,688,396	-	-	68,745,322	31,671,792	121,024,736
Unassigned	24,378,594	-	(6,635,903)	(7,078,302)	-	(808,774)	9,855,615
<b>Total Fund Balances</b>	<b>27,297,820</b>	<b>17,688,396</b>	<b>(6,635,903)</b>	<b>(7,078,302)</b>	<b>68,745,322</b>	<b>32,827,957</b>	<b>132,845,290</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 30,577,003</b>	<b>\$ 18,299,243</b>	<b>\$ 190,007</b>	<b>\$ 54,787</b>	<b>\$ 83,477,215</b>	<b>\$ 35,198,313</b>	<b>\$ 167,796,568</b>

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2015**

Total Governmental Funds Balances \$ 132,845,290

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

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

Capital Assets	203,883,471	
Accumulated Depreciation	<u>(35,242,237)</u>	168,641,234

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

Property taxes	429,913	
Special assessments - certified	1,685,648	
Special assessments - uncertified	<u>30,169,099</u>	32,284,660

Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds. 980,186

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

General obligation bonds payable	(645,000)	
Revenue bonds payable	(86,395,000)	
Special assessment bonds payable	(38,055,000)	
Bond premiums	(3,394,644)	
Bond discounts	402,274	
Interest payable	(1,199,926)	
Net Pension Liability	(5,985,300)	
Compensated absences	<u>(1,086,766)</u>	<u>(136,359,362)</u>

Net Position of Governmental Activities \$ 198,392,008

**CITY OF WILLISTON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Sales Tax	Municipal Highway	Tax Increment #10	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Property taxes	\$ 34,881,570	\$ 24,392,064	\$ -	\$ 532,816	\$ -	\$ 13,665,269	\$ 73,471,719
Special assessments	1,489	-	-	-	23,365	3,173,643	3,198,497
Licenses, permits and fees	906,358	-	-	-	-	-	906,358
Intergovernmental	3,307,396	500,000	976,313	-	67,802,877	834,019	73,420,605
Intragovernmental	1,082,778	-	-	-	-	-	1,082,778
Charges for services	2,445,006	-	-	-	-	3,580,505	6,025,511
Fines, forfeitures and penalties	1,474,557	-	-	-	-	12,273	1,486,830
Interest	63,716	12,323	-	132	26,958	19,523	122,652
Oil and gas royalties	1,057,624	-	-	-	-	-	1,057,624
Refunds and reimbursements	575,977	-	4,642	-	-	865,686	1,446,305
Miscellaneous	515,351	-	-	-	11,461	146,464	673,276
Total Revenues	<u>46,311,822</u>	<u>24,904,387</u>	<u>980,955</u>	<u>532,948</u>	<u>67,864,661</u>	<u>22,297,382</u>	<u>162,892,155</u>
<b>EXPENDITURES</b>							
Current:							
General government	7,727,232	-	531,753	17,298	412	2,817,822	11,094,517
Public safety	6,107,430	-	-	-	-	3,455,906	9,563,336
Public works	5,966,568	-	163,335	-	-	-	6,129,903
Health and welfare	-	-	-	-	-	620,512	620,512
Culture and recreation	-	14,429,968	-	-	-	559,689	14,989,657
Economic development	401,011	-	-	-	-	2,318,102	2,719,113
Airport	1,528,435	-	-	-	-	-	1,528,435
Capital Outlay	3,720,366	500,000	345,140	-	137,317,609	835,522	142,718,637
Debt Service:							
Principal retirement	295,000	-	25,000	-	-	14,998,974	15,318,974
Interest and fees	171,152	1,500	1,432	-	617,155	2,630,639	3,421,878
Total Expenditures	<u>25,917,194</u>	<u>14,931,468</u>	<u>1,066,660</u>	<u>17,298</u>	<u>137,935,176</u>	<u>28,237,166</u>	<u>208,104,962</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>20,394,628</u>	<u>9,972,919</u>	<u>(85,705)</u>	<u>515,650</u>	<u>(70,070,515)</u>	<u>(5,939,784)</u>	<u>(45,212,807)</u>

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Sales Tax</u>	<u>Municipal Highway</u>	<u>Tax Increment #10</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of assets	405,962	-	-	-	-	67,855	473,817
Debt issued	3,195,768	-	-	-	43,161,569	7,817,663	54,175,000
Bond premiums (discounts)	91,759	-	-	-	1,930,147	310,470	2,332,376
Transfers in	1,511,086	-	-	-	77,152,403	16,241,371	94,904,860
Transfers out	<u>(7,876,099)</u>	<u>(8,834,661)</u>	<u>(6,836,470)</u>	<u>(7,794,550)</u>	<u>(2,301,857)</u>	<u>(628,085)</u>	<u>(34,271,722)</u>
Total other financing sources and uses	<u>(2,671,524)</u>	<u>(8,834,661)</u>	<u>(6,836,470)</u>	<u>(7,794,550)</u>	<u>119,942,262</u>	<u>23,809,274</u>	<u>117,614,331</u>
Net Change in Fund Balances	<u>17,723,104</u>	<u>1,138,258</u>	<u>(6,922,175)</u>	<u>(7,278,900)</u>	<u>49,871,747</u>	<u>17,869,490</u>	<u>72,401,524</u>
Fund Balances - Beginning	7,581,914	16,550,138	286,272	200,598	19,673,864	16,961,283	61,254,069
Prior Period Adjustment - See Note 19	<u>1,992,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(800,289)</u>	<u>(2,002,816)</u>	<u>(810,303)</u>
Fund Balance - Beginning, As Restated	<u>9,574,716</u>	<u>16,550,138</u>	<u>286,272</u>	<u>200,598</u>	<u>18,873,575</u>	<u>14,958,467</u>	<u>60,443,766</u>
Fund Balances - Ending	<u>\$ 27,297,820</u>	<u>\$ 17,688,396</u>	<u>\$ (6,635,903)</u>	<u>\$ (7,078,302)</u>	<u>\$ 68,745,322</u>	<u>\$ 32,827,957</u>	<u>\$ 132,845,290</u>

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ 72,401,524

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

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

Capital Outlays	53,001,708
Depreciation Expense	(3,811,975)

Loss on disposal of capital assets	(96,275)
------------------------------------	----------

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

Property Taxes	325,847
Special Assessments	4,427,736
Grants	(280,255)

Proceeds from long-term debt provides financial resources to the governmental funds but the issuance increases long-term liabilities in the statement of net position.	(54,175,000)
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Premiums from long-term debt provides financial resources to the governmental funds but the issuance increases long-term liabilities in the statement of net position.	(2,332,376)
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Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	15,318,973
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Payment of the Net Pension Liability is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	(1,299,899)
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Changes in deferred outflows and inflows of resources related to the net pension liability.	620,005
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued Vacation Payable	(167,071)
Interest	<u>(836,816)</u>

Changes in Net Position	<u>\$ 83,096,126</u>
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See Notes to the Financial Statements

**CITY OF WILLISTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
<b>REVENUES</b>			
Property taxes	\$ 26,622,300	\$ 33,596,668	\$ 6,974,368
Special assessments	-	1,489	1,489
Licenses, permits and fees	1,414,000	903,033	(510,967)
Intergovernmental	2,013,500	3,248,483	1,234,983
Intragovernmental	1,223,000	1,082,778	(140,222)
Charges for services	170,900	-	(170,900)
Fines, forfeitures and penalties	945,500	1,449,535	504,035
Interest	10,000	19,267	9,267
Oil and gas royalties	-	956,150	956,150
Refunds and reimbursements	200,000	378,522	178,522
Miscellaneous	<u>236,760</u>	<u>408,105</u>	<u>171,345</u>
Total Revenues	<u>32,835,960</u>	<u>42,044,030</u>	<u>9,208,070</u>
<b>EXPENDITURES</b>			
Current:			
General government	4,086,373	6,457,534	(2,371,161)
Public safety	7,100,868	6,102,803	998,065
Public works	6,792,404	5,069,879	1,722,525
Economic development	553,858	401,011	152,847
Capital Outlay	9,463,350	3,582,704	5,880,646
Debt Service:			
Interest and fees	<u>40,543</u>	<u>62,826</u>	<u>(22,283)</u>
Total Expenditures	<u>28,037,396</u>	<u>21,676,757</u>	<u>6,360,639</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,798,564</u>	<u>20,367,273</u>	<u>15,568,709</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of assets	5,000	405,962	400,962
Bonds issued	-	3,195,768	3,195,768
Bond premiums (discounts)	-	91,759	91,759
Transfers in	3,021,378	-	(3,021,378)
Transfers out	<u>-</u>	<u>(6,816,982)</u>	<u>(6,816,982)</u>
Total Other Financing Sources and Uses	<u>3,026,378</u>	<u>(3,123,493)</u>	<u>(6,149,871)</u>
Net Change in Fund Balances	<u>7,824,942</u>	<u>17,243,780</u>	<u>9,418,838</u>
Fund Balances - Beginning	<u>7,201,335</u>	<u>7,201,335</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 15,026,277</u>	<u>\$ 24,445,115</u>	<u>\$ 9,418,838</u>
General Fund in Addition to Fund 100:			
General fund		\$ 24,445,115	
Planning study		(66,521)	
Park authority		399,568	
City building		186,955	
Insurance reserve		223,921	
Airport		<u>2,108,782</u>	
Total General Fund		<u>\$ 27,297,820</u>	

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – SALES TAX FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
<b>REVENUES</b>			
Property taxes	\$ 27,125,000	\$ 24,392,064	\$ (2,732,936)
Intergovernmental	-	500,000	500,000
Interest	-	12,323	12,323
Total Revenues	<u>27,125,000</u>	<u>24,904,387</u>	<u>(2,220,613)</u>
<b>EXPENDITURES</b>			
Current:			
Culture and recreation	14,000,000	14,429,968	(429,968)
Capital Outlay	-	500,000	(500,000)
Debt Service:			
Interest and fees	-	1,500	(1,500)
Total Expenditures	<u>14,000,000</u>	<u>14,931,468</u>	<u>(931,468)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,125,000</u>	<u>9,972,919</u>	<u>(3,152,081)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(10,500,000)</u>	<u>(8,834,661)</u>	<u>1,665,339</u>
Total Other Financing Sources and Uses	<u>(10,500,000)</u>	<u>(8,834,661)</u>	<u>(1,665,339)</u>
Net Change in Fund Balances	<u>2,625,000</u>	<u>1,138,258</u>	<u>(1,486,742)</u>
Fund Balances - Beginning	<u>16,550,138</u>	<u>16,550,138</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 19,175,138</u>	<u>\$ 17,688,396</u>	<u>\$ (1,486,742)</u>

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – MUNICIPAL HIGHWAY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
<b>REVENUES</b>			
Intergovernmental	\$ 1,125,000	\$ 976,313	\$ (148,687)
Refunds and reimbursements	<u>-</u>	<u>4,642</u>	<u>4,642</u>
Total Revenues	<u>1,125,000</u>	<u>980,955</u>	<u>(144,045)</u>
<b>EXPENDITURES</b>			
Current:			
General government	500,000	531,753	(31,753)
Public works	500,000	163,335	336,665
Capital Outlay	113,971,960	345,140	113,626,820
Debt Service:			
Principal retirement	25,000	25,000	-
Interest and fees	<u>675</u>	<u>1,432</u>	<u>(757)</u>
Total Expenditures	<u>114,997,635</u>	<u>1,066,660</u>	<u>113,930,975</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(113,872,635)</u>	<u>(85,705)</u>	<u>113,786,930</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds issued	83,000,000	-	(83,000,000)
Transfers out	<u>-</u>	<u>(6,836,470)</u>	<u>(6,836,470)</u>
Total Other Financing Sources and Uses	<u>83,000,000</u>	<u>(6,836,470)</u>	<u>(89,836,470)</u>
Net Change in Fund Balances	<u>(30,872,635)</u>	<u>(6,922,175)</u>	<u>23,950,460</u>
Fund Balances - Beginning	<u>286,272</u>	<u>286,272</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (30,586,363)</u>	<u>\$ (6,635,903)</u>	<u>\$ 23,950,460</u>

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –**  
**BUDGET AND ACTUAL – TAX INCREMENT #10 FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Property taxes	\$ 360,000	\$ 532,816	\$ 172,816
Interest	-	132	132
Total Revenues	<u>360,000</u>	<u>532,948</u>	<u>172,948</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	17,298	(17,298)
Total Expenditures	-	17,298	(17,298)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>360,000</u>	<u>515,650</u>	<u>155,650</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	-	(7,794,550)	(7,794,550)
Total Other Financing Sources and Uses	-	(7,794,550)	7,794,550
Net Change in Fund Balances	<u>360,000</u>	<u>(7,278,900)</u>	<u>(7,638,900)</u>
Fund Balances - Beginning	<u>200,598</u>	<u>200,598</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 560,598</u>	<u>\$ (7,078,302)</u>	<u>\$ (7,638,900)</u>

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**AS OF DECEMBER 31, 2015**

	Business-type Activities - Enterprise Funds			Totals Current Year
	Water	Sewer	Non-Major	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 3,238,718	\$ -	\$ 8,229,410	\$ 11,468,128
Accounts receivable (net)	1,004,341	118,905	983,133	2,106,379
Current portion of receivable from WAWSA	1,378,750	-	-	1,378,750
Inventory	306,282	16,062	-	322,344
Total Current Assets	<u>5,928,091</u>	<u>134,967</u>	<u>9,212,543</u>	<u>15,275,601</u>
Non-Current Assets:				
Restricted cash and cash equivalents	1,840,875	4,684,108	669,015	7,193,998
Receivable from WAWSA - net of current portion	12,585,000	-	-	12,585,000
Capital assets:				
Land	377,956	-	79,514	457,470
Construction in Progress	25,548,416	113,255,995	1,327,638	140,132,049
Capital assets (net of accumulated depreciation):				
Buildings	77,307,149	8,857,921	2,595,112	88,760,182
Improvements other than buildings	26,273,699	26,165,828	1,262,248	53,701,775
Equipment	581,477	818,461	3,452,499	4,852,437
Total Non-Current Assets	<u>144,514,572</u>	<u>153,782,313</u>	<u>9,386,026</u>	<u>307,682,911</u>
Total Assets	<u>150,442,663</u>	<u>153,917,280</u>	<u>18,598,569</u>	<u>322,958,512</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Cost Sharing Defined Benefit Pension Plan	223,524	60,962	142,243	426,729
Total Deferred Outflows of Resources	<u>223,524</u>	<u>60,962</u>	<u>142,243</u>	<u>426,729</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	329,727	51,695	165,842	547,264
Salaries and benefits payable	52,466	22,087	52,730	127,283
Deposits payable	50,692	-	-	50,692
Due to other funds	1,000,000	2,747,051	-	3,747,051
Accrued interest payable	121,890	423,333	2,866	548,089
Revenue bonds payable	1,470,000	2,769,888	115,000	4,354,888
Compensated absences	92,000	24,500	61,854	178,354
Total Current Liabilities	<u>3,116,775</u>	<u>6,038,554</u>	<u>398,292</u>	<u>9,553,621</u>
Non-Current Liabilities:				
Revenue bonds payable	13,436,250	74,482,438	333,750	88,252,438
Bond discounts	(26,063)	(489)	(8,875)	(35,427)
Net pension liability	705,560	192,426	448,993	1,346,979
Accrued closure and postclosure liability	-	-	540,515	540,515
Compensated absences	66,227	16,467	34,164	116,858
Total Non-Current Liabilities	<u>14,181,974</u>	<u>74,690,842</u>	<u>1,348,547</u>	<u>90,221,363</u>
Total Liabilities	<u>17,298,749</u>	<u>80,729,396</u>	<u>1,746,839</u>	<u>99,774,984</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Cost Sharing Defined Benefit Pension Plan	77,756	21,206	49,482	148,444
Deferred inflows - Western Area Water Supply Authority	71,623,158	-	-	71,623,158
Total Deferred Inflows of Resources	<u>71,700,914</u>	<u>21,206</u>	<u>49,482</u>	<u>71,771,602</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	43,585,352	71,846,368	8,277,136	123,708,856
Restricted	1,840,875	4,684,108	669,015	7,193,998
Unrestricted	16,240,297	(3,302,836)	7,998,340	20,935,801
Total Net Position	<u>\$ 61,666,524</u>	<u>\$ 73,227,640</u>	<u>\$ 16,944,491</u>	<u>\$ 151,838,655</u>

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Business-type Activities - Enterprise Funds			Totals Current Year
	Water	Sewer	Non-Major	
<b>OPERATING REVENUES:</b>				
Charges for service	\$ 11,852,233	\$ 1,718,469	\$ 6,276,873	\$ 19,847,575
Miscellaneous	<u>106,038</u>	<u>58,423</u>	<u>150,592</u>	<u>315,053</u>
Total Operating Revenues	<u>11,958,271</u>	<u>1,776,892</u>	<u>6,427,465</u>	<u>20,162,628</u>
<b>OPERATING EXPENSES:</b>				
Salaries and benefits	2,177,857	655,421	1,733,831	4,567,109
Materials and supplies	6,465,724	568,891	1,068,912	8,103,527
Contractual services	310,559	61,871	88,059	460,489
Depreciation	1,493,203	928,182	1,280,924	3,702,309
Miscellaneous	<u>58,197</u>	<u>5,113</u>	<u>7,673</u>	<u>70,983</u>
Total Operating Expenses	<u>10,505,540</u>	<u>2,219,478</u>	<u>4,179,399</u>	<u>16,904,417</u>
Operating Income (Loss)	<u>1,452,731</u>	<u>(442,586)</u>	<u>2,248,066</u>	<u>3,258,211</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	-	-	184	184
Interest and service charges	<u>(482,045)</u>	<u>(1,276,684)</u>	<u>(22,918)</u>	<u>(1,781,647)</u>
Total Non-Operating Revenues (Expenses)	<u>(482,045)</u>	<u>(1,276,684)</u>	<u>(22,734)</u>	<u>(1,781,463)</u>
Income (Loss) before contributions and transfers	<u>970,686</u>	<u>(1,719,270)</u>	<u>2,225,332</u>	<u>1,476,748</u>
Capital contributions	12,591,676	68,283,337	1,181,445	82,056,458
Gain on sale of capital asset	-	-	51,400	51,400
Amortization of WAWSA deferred inflows	663,346	-	-	663,346
Transfers in	230,149	-	76,716	306,865
Transfers out	<u>(1,233,296)</u>	<u>(59,706,711)</u>	<u>-</u>	<u>(60,940,007)</u>
Changes in Net Position	<u>13,222,561</u>	<u>6,857,356</u>	<u>3,534,893</u>	<u>23,614,810</u>
Total Net Position - Beginning	<u>51,696,174</u>	<u>66,495,388</u>	<u>13,701,506</u>	<u>131,893,068</u>
Prior Period Adjustment - See Note 19	<u>(3,252,211)</u>	<u>(125,104)</u>	<u>(291,908)</u>	<u>(3,669,223)</u>
Total Net Position - Beginning, as Restated	<u>48,443,963</u>	<u>66,370,284</u>	<u>13,409,598</u>	<u>128,223,845</u>
Total Net Position - Ending	<u>\$ 61,666,524</u>	<u>\$ 73,227,640</u>	<u>\$ 16,944,491</u>	<u>\$ 151,838,655</u>

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-Major Funds	Totals Current Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 13,717,292	\$ 1,721,572	\$ 6,517,928	\$ 21,956,792
Payments to Suppliers	(6,601,057)	(929,891)	(1,389,361)	(8,920,309)
Payments to Employees	(2,050,166)	(609,421)	(1,640,978)	(4,300,565)
Other Operating Revenue	<u>106,038</u>	<u>58,423</u>	<u>150,592</u>	<u>315,053</u>
Net Cash Provided (Used) by Operating Activities	<u>5,172,107</u>	<u>240,683</u>	<u>3,638,181</u>	<u>9,050,971</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers In	230,149	-	76,716	306,865
Transfers Out	(1,233,296)	(59,706,711)	-	(60,940,007)
Due to/from other Funds	<u>-</u>	<u>2,747,051</u>	<u>-</u>	<u>2,747,051</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,003,147)</u>	<u>(56,959,660)</u>	<u>76,716</u>	<u>(57,886,091)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	(215,438)	(327,556)	(2,290,255)	(2,833,249)
Proceeds from Sale of Capital Assets	-	-	26,400	26,400
Proceeds from Capital Debt	-	59,706,710	-	59,706,710
Principal Payments on Long-Term Debt	(1,481,250)	(10,161,640)	(108,750)	(11,751,640)
Reimbursement from WAWSA for Debt Payments	1,141,250	-	-	1,141,250
Interest and Fiscal Charges on Debt	<u>(492,172)</u>	<u>(932,117)</u>	<u>(20,570)</u>	<u>(1,444,859)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,047,610)</u>	<u>48,285,397</u>	<u>(2,393,175)</u>	<u>44,844,612</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Income	-	-	184	184
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>184</u>	<u>184</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,121,350	(8,433,580)	1,321,906	(3,990,324)
Cash and Cash Equivalents, January 1	<u>1,958,243</u>	<u>13,117,688</u>	<u>7,576,519</u>	<u>22,652,450</u>
Cash and Cash Equivalents, December 31	<u>\$ 5,079,593</u>	<u>\$ 4,684,108</u>	<u>\$ 8,898,425</u>	<u>\$ 18,662,126</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 1,452,731	\$ (442,586)	\$ 2,248,066	\$ 3,258,211
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	1,493,203	928,182	1,280,924	3,702,309
Changes in Assets and Liabilities:				
Accounts Receivable	1,855,503	3,283	245,560	2,104,346
Inventory	92,961	(2,882)	-	90,079
Deferred Pension Outflows	(158,392)	(43,199)	(100,795)	(302,386)
Accounts Payable	140,462	(291,134)	(291,669)	(442,341)
Deposits Payable	9,556	(180)	(4,505)	4,871
Salaries and Benefits Payable	(131,615)	(22,533)	(67,489)	(221,637)
Compensated Absences	158,227	40,967	96,018	295,212
Net Pension Liability	181,715	49,559	115,637	346,911
Deferred Pension Inflows	77,756	21,206	49,482	148,444
Closure/Post Closure Costs	<u>-</u>	<u>-</u>	<u>66,952</u>	<u>66,952</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,172,107</u>	<u>\$ 240,683</u>	<u>\$ 3,638,181</u>	<u>\$ 9,050,971</u>
<b>Noncash Investing, Capital, and Financing Activities</b>				
Contribution of Capital Assets from Capital Project Funds	\$ 12,591,676	\$ 68,283,337	\$ 1,181,445	\$ 82,056,458
Plant Purchased through WAWSA	8,369,400	-	-	8,369,400

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2015**

	<u>Total</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 15,749
Intergovernmental Receivable	<u>83,868</u>
Total Current Assets	<u>\$ 99,617</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Due to Other Agencies	<u>\$ 99,617</u>
Total Liabilities	<u>\$ 99,617</u>

See Notes to the Financial Statements

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2015**

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

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

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

**CITY OF WILLISTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2015

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

The city reports the following major governmental funds:

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

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

Municipal Highway Fund – This fund accounts for the financial resources of the city highway projects.

Tax Increment #10 Fund – This fund accounts for the financial resources of the TIF fund for University Commons.

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

The city reports the following major enterprise funds:

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

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

Additionally, the city reports the following fund types:

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

**Measurement Focus and Basis of Accounting**

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

**CITY OF WILLISTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2015

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

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

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

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

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

### **Budgets**

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

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

**CITY OF WILLISTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2015

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 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, 2015, consisted of certificates of deposit stated at cost.

### **Investments in Partnerships**

Investments in partnerships consist of limited partnership interests in entities owning real estate. The investments in the limited partnership interests are stated at cost. Distributions received are recorded as income.

### **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. 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

**CITY OF WILLISTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2015

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

Buildings	50 Years
Equipment	5-30 Years
Infrastructure	50 Years

**Inventories**

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The City has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the NDPERS pension plan as well as amounts paid to the plan after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. The governmental funds report unavailable revenues from property taxes and special assessments. These amounts are unavailable and recognized as an inflow of resources in the period that the amounts become available. The City also has two items reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the PERA pension plan and Western Area Water Supply Authority which represents the deferred inflows that result from a service concession arrangement.

**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.

**CITY OF WILLISTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2015

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 prorated basis. Unused sick leave benefits are allowed to accumulate to 60 days for all full-time employees except water treatment plant employees who are on 10 hour shifts who can accumulate 600 hours and full-time fire department employees who can accumulate 720 hours. Each year in January, employees are paid for one-half of accumulated sick leave in excess of the maximum carry over amount. Upon termination of employment or retirement, unused sick leave will be paid at a rate of 50% of the employee's regular pay rate for unused days.

### **Long-Term Obligations**

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

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

### **Sales Tax Revenue**

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

### **Fund Balance**

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

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

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

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

*Committed* – consists of internally imposed constraints. These constraints are established by formal action of the City Commission. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

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

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

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

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

**Pensions**

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

**NOTE 2     LEGAL COMPLIANCE**

**Budget Amendments**

The City's governing board did not amend the city budgets for the year ended December 31, 2015.

**Excess of Actual Expenditures over Budget**

Expenditures exceeded budget in the following funds:

Sales Tax Fund	\$	931,468
Tax Increment #10 Fund		17,298

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

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

**Fund Deficits**

The following funds were in a deficit position at December 31, 2015:

Municipal Highway Fund	\$ 6,635,903
Tax Increment #10	7,078,302
Social Security Fund	9,598
Special Assess-City Property	221,412
911 Communications	14,137
Tax Increment #7	12,663
Tax Increment #11	585,364
2013 B-1 Tax Exempt Sales Tax	532
2013 B-2 Taxable Sales Tax	475
2015A Public Safety Sales Tax	75
2015B Public Safety Sales Tax	15
	<u>\$ 14,558,476</u>

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

**NOTE 3 DEPOSITS AND INVESTMENTS**

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than 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 December 31, 2015, the City's carrying amount of deposits was \$155,667,739 and the bank balance was \$159,592,439. The City's balances were fully collateralized as of December 31, 2015.

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

**Credit Risk**

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

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

As of December 31, 2015, the City's cash and cash equivalents include amounts in demand deposits, money market accounts, and highly liquid investments with an original maturity of three month or less.

**NOTE 4 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, 2015, 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.

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

**NOTE 5 RESTRICTED CASH AND CASH EQUIVALENTS**

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

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Sales Tax Fund	Debt Service	\$ 8,462,220
Capital Projects Fund	Unspent Bond Proceeds	83,130,636
General Fund	Airport Debt Service	150,000
Water Fund	Debt Service	1,840,875
Sewer Fund	Debt Service	4,684,108
Nonmajor Proprietary	Landfill Debt Service	128,500
Nonmajor Proprietary	Landfill Closure and Post-Closure Costs	540,515
		<u>\$ 98,936,854</u>

**NOTE 6 ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts on open account from individuals for goods and services furnished by the City. The carrying amount of the accounts receivable is reduced by an amount that reflects management's best estimates of the amounts that will not be collected. The City had allowances for uncollectible accounts totaling \$1,335,708 for governmental activities accounts receivable and \$38,548 for business-type activities accounts receivable recorded at December 31, 2015.

**NOTE 7 INTERGOVERNMENTAL RECEIVABLE**

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

**NOTE 8 SPECIAL ASSESSMENTS RECEIVABLE**

Special assessments receivable consists of uncollected special assessments due to the City at December 31, 2015 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, 2015, all accounts are considered collectible.

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

**NOTE 9 CAPITAL ASSETS**

The following is a summary of capital asset activity for the year ended December 31, 2015:

	<b>Primary Government</b>			
	<b>Beginning Balance As Restated</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b><u>Governmental Activities</u></b>				
Capital Assets, Non-Depreciable:				
Land	\$ 8,923,089	\$ 3,800,187	\$ -	\$ 12,723,276
Construction in progress	41,802,293	39,142,188	14,600,997	66,343,484
Total Non-Depreciable:	<u>50,725,382</u>	<u>42,942,375</u>	<u>14,600,997</u>	<u>79,066,760</u>
Capital Assets, Depreciable:				
Buildings	15,617,010	597,100	-	16,214,110
Improvements other than buildings	1,522,918	122,531	-	1,645,449
Equipment	14,546,986	4,915,183	599,097	18,863,072
Infrastructure	69,070,284	19,025,516	-	88,095,800
<b>Total at Historical Cost</b>	<u>100,757,198</u>	<u>24,660,330</u>	<u>599,097</u>	<u>124,818,431</u>
Less Accumulated Depreciation for:				
Buildings	5,177,439	312,062	-	5,489,501
Improvements other than buildings	550,956	38,532	-	589,488
Equipment	9,505,857	1,888,614	502,822	10,891,649
Infrastructure	16,700,552	1,572,767	-	18,273,319
<b>Total Accumulated Depreciation</b>	<u>31,934,804</u>	<u>3,811,975</u>	<u>502,822</u>	<u>35,243,957</u>
Total capital assets being depreciated, net	<u>68,822,394</u>	<u>20,848,355</u>	<u>96,275</u>	<u>89,574,474</u>
<b>Total Governmental Activities Capital Assets, Net</b>	<u>\$ 119,547,776</u>	<u>\$ 63,790,730</u>	<u>\$ 14,697,272</u>	<u>\$ 168,641,234</u>
<b><u>Business-type Activities</u></b>				
Capital Assets, Non-Depreciable:				
Land	\$ 457,470	\$ -	\$ -	\$ 457,470
Construction in Progress	112,528,333	88,788,999	61,185,283	140,132,049
Total Non-Depreciable	<u>112,985,803</u>	<u>88,788,999</u>	<u>61,185,283</u>	<u>140,589,519</u>
Capital Assets, Depreciable:				
Buildings	42,254,606	56,705,842	-	98,960,448
Improvements other than buildings	61,457,838	7,535,787	-	68,993,625
Equipment	11,027,134	1,408,367	-	12,435,501
<b>Total at Historical Cost</b>	<u>114,739,578</u>	<u>65,649,996</u>	<u>-</u>	<u>180,389,574</u>
Less Accumulated Depreciation for:				
Buildings	9,260,717	939,549	-	10,200,266
Improvements other than buildings	13,939,301	1,352,549	-	15,291,850
Equipment	6,172,853	1,410,211	-	7,583,064
<b>Total Accumulated Depreciation</b>	<u>29,372,871</u>	<u>3,702,309</u>	<u>-</u>	<u>33,075,180</u>
	<u>85,366,707</u>	<u>61,947,687</u>	<u>-</u>	<u>147,314,394</u>
<b>Total Business-type Activities Capital Assets, Net</b>	<u>\$ 198,352,510</u>	<u>\$ 150,736,686</u>	<u>\$ 61,185,283</u>	<u>\$ 287,903,913</u>

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

**Depreciation expense was charged to Governmental functions as follows:**

General Government	\$ 155,788
Public Safety	914,498
Public Works	1,937,908
Culture and Recreation	67,288
Economic Development	736,493
<b>Total Depreciation Expense</b>	<b><u>\$ 3,811,975</u></b>

**Depreciation expense was charged to Business Type functions as follows:**

Water	\$ 1,493,203
Sewer	928,182
Landfill	496,779
Refuse	784,145
<b>Total Depreciation Expense</b>	<b><u>\$ 3,702,309</u></b>

As of December 31, 2015, the City had outstanding commitments of approximately \$53.6 million related to construction projects.

**NOTE 10 LONG-TERM DEBT**

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Balance 12/31/14 <u>As Restated</u>	Debt Issued	Retirements 2015	Balance 12/31/15	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Compensated Absences	\$ 919,695	\$ 652,675	\$ 485,604	\$ 1,086,766	\$ 485,600
General Obligation	820,000	-	175,000	645,000	150,000
Revenue Bonds	49,708,354	44,530,000	7,843,354	86,395,000	14,075,000
Bond Premiums	1,293,353	2,332,376	231,085	3,394,644	-
Bond Discounts	(416,962)	-	(14,688)	(402,274)	-
Certificates of Indebtedness	5,660,619	-	5,660,619	-	-
Net Pension Liability	4,685,401	1,299,899	-	5,985,300	-
Special Assessment	<u>30,050,000</u>	<u>9,645,000</u>	<u>1,640,000</u>	<u>38,055,000</u>	<u>2,350,000</u>
Governmental Activities Long-Term Liabilities	<u>\$ 92,720,460</u>	<u>\$ 58,459,950</u>	<u>\$ 16,020,974</u>	<u>\$ 135,159,436</u>	<u>\$ 17,060,600</u>
<b><u>Business-Type Activities:</u></b>					
Compensated Absences	\$ 231,949	\$ 243,534	\$ 180,271	\$ 295,212	\$ 178,354
Revenue Bonds	34,660,615	59,706,710	1,760,000	92,607,325	4,354,888
Bond Premiums	36,525	-	1,098	35,427	-
Bond Discounts	(38,266)	-	(38,266)	-	-
Certificates of Indebtedness	10,761,027	-	10,761,027	-	-
Net Pension Liability	<u>1,000,067</u>	<u>346,912</u>	<u>-</u>	<u>1,346,979</u>	<u>-</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 46,651,917</u>	<u>\$ 60,297,156</u>	<u>\$ 12,664,130</u>	<u>\$ 94,284,943</u>	<u>\$ 4,533,242</u>

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

Outstanding debt at December 31, 2015 (excluding compensated absences) consisted of the following issues:

	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/15	Amounts Due in 2016	
							Principal	Interest
<b>Governmental Activities:</b>								
General Obligation Bonds:								
Highway and Arterial Street Bonds	2000	4.7-5.4%	2016/15	\$ 260,000	\$ 25,000	\$ -	\$ -	\$ -
Airport Revenue Bonds 2004A	2004	3.2-4.5%	2016/19	1,215,000	90,000	390,000	90,000	15,175
Airport Revenue Bonds 2004B	2004	2.-4.5%	2016/19	800,000	60,000	255,000	60,000	10,050
						<u>\$ 645,000</u>	<u>\$ 150,000</u>	<u>\$ 25,225</u>
Revenue Bond								
Sales Tax	2010	1.0-2.5%	2016/20	\$ 1,500,000	\$ 145,000	\$ 785,000	\$ 150,000	\$ 15,473
Sales Tax	2011	.75-3.0%	2016/20	10,000,000	1,180,000	6,810,000	1,195,000	168,067
Sales Tax - Series A	2013	3.0-4.0%	2016/20	42,440,000	5,175,331	31,490,000	5,340,000	1,110,250
Sales Tax - Series B-1	2013	2.65%	2016/20	5,250,000	1,008,023	2,430,000	-	64,395
Sales Tax - Series B-2	2013	2.65%	2016/20	750,000	335,000	350,000	-	9,275
Sales Tax - Series A	2015	4.0-5.0%	2016/25	24,530,000	-	24,530,000	1,795,000	1,063,462
Sales Tax - Series B	2015	3.10%	2016/25	20,000,000	-	20,000,000	5,595,000	573,612
						<u>\$ 86,395,000</u>	<u>\$ 14,075,000</u>	<u>\$ 3,004,534</u>
Special Assessments:								
	2000	4.85-5.4%	2016/15	\$ 190,000	\$ 5,000	\$ -	\$ -	\$ -
	2003	1.5-4.0%	2016/18	695,000	40,000	120,000	40,000	4,000
	2004	3.1-4.5%	2016/19	830,000	55,000	215,000	55,000	8,231
	2006	3.625-4.0%	2016/22	440,000	30,000	240,000	30,000	8,910
	2006	3.55-4.1%	2016/21	855,000	65,000	290,000	65,000	10,435
	2007	3.6-4.15%	2016/22	1,020,000	75,000	400,000	75,000	14,694
	2009	2.5-4.0%	2016/24	2,580,000	180,000	1,495,000	175,000	50,034
	2010	1.0-4.1%	2016/30	1,900,000	115,000	1,430,000	110,000	44,793
	2010	1.0-3.75%	2016/25	740,000	55,000	510,000	55,000	15,969
	2012	1.0-3.0%	2016/32	5,795,000	320,000	4,845,000	320,000	107,550
	2014	2.0-5.0%	2016/33	4,490,000	250,000	4,240,000	255,000	162,325
	2014	1.0-4.0%	2016/34	15,075,000	450,000	14,625,000	800,000	477,205
	2015	3.0-3.5%	2016/35	9,645,000	-	9,645,000	370,000	137,002
						<u>\$ 38,055,000</u>	<u>\$ 2,350,000</u>	<u>\$ 1,041,148</u>
<b>Business-Type Activities:</b>								
Revenue Bond								
State Revolving Fund Loan	2014	2.00%	2016/37	\$ 76,367,325	\$ -	\$ 76,367,325	\$ 2,644,888	\$ 1,527,347
Sewer Utility	2000	4.65-5.3%	2016/15	445,000	45,000	-	-	-
Water Utility	2000	4.65-5.3%	2016/15	455,000	45,000	-	-	-
Landfill	2002	2.8-5%	2016/17	580,000	45,000	100,000	50,000	3,750
Storm Sewer Improvement	2002	2.50%	2016/21	1,080,000	60,000	395,000	60,000	9,875
Water Storage Reservoir System	1999	2.50%	2016/21	3,748,977	210,000	1,385,000	215,000	34,625
Sewer Treatment Plant Improvement	2003	2.50%	2016/22	1,190,559	65,000	490,000	65,000	8,438
Water Treatment	2003	2.50%	2016/23	3,408,344	190,000	1,700,000	195,000	42,500
Water Treatment	2006	2.50%	2016/26	17,593,148	845,000	10,775,000	865,000	269,375
Sales Tax	2009	2.00%	2016/20	2,820,000	255,000	1,395,000	260,000	260,140
						<u>\$ 92,607,325</u>	<u>\$ 4,354,888</u>	<u>\$ 2,156,050</u>

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

**General Obligation Bonds**

General obligation bonds are issued to provide funds for the acquisition and construction of major capital items. They are direct obligations and pledge the full faith and credit of the City of Williston. The City has pledged future revenues, net of specified operating expenses, to repay the general obligation airport revenue bonds. Proceeds from the bonds provided financing for the construction of the City's airport terminal. The bonds are payable from revenues and fees and charges collected for use of the Municipal Airport in Williston and property tax revenues and are payable through 2019.

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

Year Ending <u>December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 150,000	\$ 25,225
2017	155,000	18,669
2018	165,000	11,588
2019	<u>175,000</u>	<u>3,938</u>
Total	<u>\$ 645,000</u>	<u>\$ 59,420</u>

**Revenue Bonds**

Revenue bonds are issued to finance capital improvement projects in which revenue from operations of such improvement projects or revenue is pledged from a designated revenue stream is used pay the debt service. The City has committed to appropriate each year, the portion of the City's one percent sales and use tax revenues necessary to pay the annual principal and interest requirements on the governmental revenue bonds. Proceeds from the bonds provided financing for the construction of a hangar at the Williston Airport and infrastructure needs of the city. The bonds are payable through 2025.

The City has pledged future revenues, net of specified operating expenses, and a portion of the City's one percent sales and use tax to repay the enterprise revenue bonds. Proceeds from the bonds provided financing for the construction and capital improvements to the City's water treatment plant, sanitary sewer system and landfill site. The bonds are payable from water, sewer and landfill customer net revenues and through a portion of the City's sales and use tax and oil and gas sales tax revenues. The City has committed to appropriate each year, sales and use tax revenues sufficient to cover the principal and interest requirements of the City's sales tax revenue bonds. The City has pledged their oil and gas sales tax revenue each year, sufficient to cover the principal and interest requirements of the City's SRF revenue bonds. The revenue bonds are payable through 2026 and the SRF bonds are payable through 2037.

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

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

Year Ending December 31,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 14,075,000	\$ 3,004,522	\$ 4,354,888	\$ 2,156,050	\$ 18,429,888	\$ 5,160,572
2017	8,760,000	2,744,188	4,466,770	1,844,364	13,226,770	4,588,552
2018	9,065,000	2,429,748	4,528,652	1,743,741	13,593,652	4,173,489
2019	9,385,000	2,113,320	4,648,574	1,641,260	14,033,574	3,754,580
2020	15,910,000	1,733,543	4,771,537	1,535,619	20,681,537	3,269,162
2021-2025	29,200,000	5,249,075	22,005,560	6,207,274	51,205,560	11,456,349
2026-2030	-	-	18,910,870	4,005,657	18,910,870	4,005,657
2031-2035	-	-	20,143,706	2,106,121	20,143,706	2,106,121
2036-2037	-	-	8,776,768	264,367	8,776,768	264,367
Total	<u>\$ 86,395,000</u>	<u>\$ 17,274,396</u>	<u>\$ 92,607,325</u>	<u>\$ 21,504,453</u>	<u>\$ 179,002,325</u>	<u>\$ 38,778,849</u>

**Special Assessment**

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.

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2016	\$ 2,350,000	\$ 1,041,148
2017	2,330,000	1,128,918
2018	2,280,000	1,049,481
2019	2,215,000	969,766
2020	2,185,000	891,931
2021-2025	10,355,000	3,338,238
2026-2030	9,310,000	2,386,894
2031-2035	7,030,000	444,906
Total	<u>\$ 38,055,000</u>	<u>\$ 11,251,282</u>

The City's bond documents include covenants that, in part, impose maintenance of certain reserve requirements and net operating revenues to debt service ratios. The City was in compliance with all financial covenants as of December 31, 2015.

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

**NOTE 11    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, 2015, there were four series of MIDA Bonds outstanding. The aggregate principal amount payable for the series could not be determined; however, their original issue amounts totaled \$60,723,000.

**NOTE 12    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 \$540,515 at December 31, 2015, which is based on 99.64% usage (filled) of the landfill. It is estimated that an additional \$1,953 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 \$542,468 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, 2015. 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.

In 2016, the City was approved to increase the capacity of current cells one, two, three and four by making the cells higher and the sides steeper. This request was made due to the increased volume entering the landfill cells because of the increased activity in the area; and the cells under construction possibly not being completed before reaching capacity. Currently, collections have decreased from 300 tons to 100 tons per day. With the approval of the vertical change permit and the current reduced collections, the current cells are anticipated to reach capacity in three to five years, depending upon the volume received. The cells under construction are expected to be completed in mid 2017, well in advance of closure of the current cells.

**NOTE 13    DEFINED BENEFIT PENSION PLANS - STATEWIDE**

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

Disclosures relating to this plan follow:

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

**North Dakota Public Employees' Retirement System**

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

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

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

**Pension Benefits**

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

**Death and Disability Benefits**

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

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

**CITY OF WILLISTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2015

**Refunds of Member Account Balance**

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

If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

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

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

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Plan members are required to contribute 6.12% of their annual covered salary. The City is required to contribute 9.14% of the employees' salary which consists of 7.12% for employee retirement, 1.14% for the reitree health benefits fund, and 0.88% of the member assessments which the City has agreed to pay in lieu of a salary increase.

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

At December 31, 2015, the City reported a liability of \$7,332,279 for its proportionate share of the net pension liability. The net pension liability consisted of \$6,414,179 to the main system pension plan and \$918,100 to the Law Enforcement pension plan. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of covered payroll in the Main System and Law Enforcement pension plan relative to the covered payroll of all participating Main System and Law Enforcement employers. At July 1, 2015, the City's proportion was **Error! Not a valid link.** for the Main System and 15.111462% for the Law Enforcement plan.

For the year ended December 31, 2015, the City recognized pension expense of \$852,238 for the Main System plan and \$152,707 for the Law Enforcement plan. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

For the Main System plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 186,083	\$ 135,402
Changes in actuarial assumptions	-	571,473
Difference between projected and actual investment earnings	-	-
Changes in proportion	1,199,202	-
Contributions paid to NDPERS subsequent to the measurement date	497,816	-
<b>Total</b>	<b>\$ 1,883,101</b>	<b>\$ 706,875</b>

For the Main System plan, \$497,816 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

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

Year ending June 30:	Pension Expense Amount
2016	\$ 67,135
2017	67,135
2018	67,135
2019	346,927
2020	130,078

For the Law Enforcement Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 102,828	\$ 15,804
Changes in actuarial assumptions	-	144,844
Difference between projected and actual investment earnings	-	18,362
Changes in proportion	9,490	-
Contributions paid to NDPERS subsequent to the measurement date	148,937	-
<b>Total</b>	<b>\$ 261,255</b>	<b>\$ 179,010</b>

For the Law Enforcement plan, \$148,937 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

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

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

Year ending June 30:	Pension Expense Amount
2016	\$ (25,950)
2017	(25,950)
2018	(25,949)
2019	19,366
2020	(10,087)
Thereafter	1,878

**Actuarial Assumptions**

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.90%
International Equity	21.00%	7.55%
Private Equity	5.00%	11.30%
Domestic Fixed Income	17.00%	1.55%
International Fixed Inc.	5.00%	0.90%
Global Real Assets	20.00%	5.38%
Cash Equivalents	1.00%	0.00%

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

**Discount Rate**

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
City's proportionate share of the Main System NDPERS net pension liability:	\$ 9,835,819	\$ 6,414,179	\$ 3,614,655

City's proportionate share of the Law Enforcement NDPERS net pension liability:	\$ 1,535,867	\$ 918,100	\$ 417,074
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**Pension Plan Fiduciary Net Position**

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

**NOTE 14 DEFERRED COMPENSATION PLAN**

The city offers its employees a retirement plan under deferred compensation plans created in accordance with Internal Revenue Code Section 457. The main provider of these plans is through Nationwide Retirement Solutions. For those employees who opted not to join North Dakota Public Employees' Retirement Systems (NDPERS) when the city switched to NDPERS in 2004, the City contributes 6% of employee's salaries into the plan. The city's contribution to the plan for the years ended December 31, 2015, 2014, and 2013 were \$32,890, \$33,993, and \$31,945, 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.

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

**NOTE 15 RISK MANAGEMENT**

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

In 1986, the state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of \$1,000,000 per occurrence for general liability, \$1,000,000 per occurrence for automobile liability coverage and \$5,365,200 for inland marine coverage.

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

Commercial insurance is also purchased for steam boiler and airport general liability coverage.

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

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

**NOTE 16 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of December 31, 2015 is as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
General Fund	Municipal Highway	\$ 6,560,415
General Fund	Tax Increment #10	7,078,302
General Fund	Water Fund	1,000,000
General Fund	Sewer Fund	<u>2,747,051</u>
		<u>\$ 17,385,768</u>

The interfund balance in the Municipal Highway Fund and the Tax Increment #10 fund is due to deficit cash balances. The interfund balances in the Water and Sewer Funds were set up to meet debt reserve requirements.

One loan was made from the Equipment Reserve Fund to the General Fund in 2003 for \$360,000 and carries an interest rate of 5 percent. Annual payments of \$25,543 are due through July 31, 2028. The balance at December 31, 2015 is \$239,939.

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2015:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Nonmajor Proprietary Funds	Sales Tax Fund	\$ 76,716
Water Fund	Sales Tax Fund	230,149
Nonmajor Governmental Funds	Sales Tax Fund	8,364,923
General Fund	Sales Tax Fund	162,873
Capital Projects Fund	Water Fund	1,233,296
Capital Projects Fund	Sewer Fund	59,706,711
Capital Projects Fund	Municipal Highway	6,836,470
Capital Projects Fund	Tax Increment #10	7,794,550
Capital Projects Fund	General Fund	1,059,116
General Fund	General Fund	1,348,214
Nonmajor Governmental Funds	Nonmajor Governmental Funds	105,822
Nonmajor Governmental Funds	General Fund	5,468,769
Nonmajor Governmental Funds	Capital Projects Fund	2,301,857
Capital Projects Fund	Nonmajor Governmental Funds	<u>522,260</u>
		<u>\$ 95,211,726</u>

Transfers are used to: move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and transfer capital assets acquired through the governmental funds to the business-type funds.

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

**NOTE 17 FUND BALANCE**

**A. Classifications**

At December 31, 2015, a summary of the governmental fund balance classifications are as follows:

	General	Sales Tax	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Interfund loan receivable	\$ -	\$ -	\$ -	\$ 239,939	\$ 239,939
Investments	-	-	-	1,725,000	1,725,000
Total Nonspendable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,964,939</u>	<u>\$ 1,964,939</u>
Restricted for:					
Urban and economic development	\$ -	\$ 17,688,396	\$ -	\$ 3,941,304	\$ 21,629,700
General government	223,921	-	-	-	223,921
Culture and recreation	-	-	-	1,334,930	1,334,930
Public safety	-	-	-	8,460,050	8,460,050
Public works	399,568	-	-	-	399,568
Airport	2,108,782	-	-	-	2,108,782
Health and welfare	-	-	-	1,152,122	1,152,122
Capital projects	186,955	-	68,745,322	2,262,291	71,194,568
Debt service	-	-	-	14,521,095	14,521,095
Total Restricted	<u>\$ 2,919,226</u>	<u>\$ 17,688,396</u>	<u>\$ 68,745,322</u>	<u>\$ 31,671,792</u>	<u>\$ 121,024,736</u>

**B. Minimum Fund Balance Policy**

The City has not formally adopted a fund balance policy.

**NOTE 18 JOINTLY GOVERNED ORGANIZATIONS**

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

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

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

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

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

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

**Output Agreement:** This agreement sets forth the terms and conditions on which the City will sell to WAWSA the entire output of the plant. As consideration for the entire output of the treated water from the plant to WAWSA, WAWSA will make payments equal to the debt service paid by the City during the term, approved operation and maintenance costs, capital expenditure reimbursements, and baseline 2010 industrial water sales revenue.

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

During 2015, under the above agreements, the City received \$764,379 for sales of water to Western Area Water Supply Authority, along with a \$1,400,059 baseline sales reimbursement. Reimbursements from WAWSA included principal debt payment reimbursements of \$1,245,000, interest and administrative fee reimbursements of \$450,038, operations and maintenance reimbursements of \$4,595,843 and capital expenditure reimbursements of \$8,369,400. The City also purchased water from WAWSA for a total of \$2,870,443.

The deferred inflow of resources from WAWSA consists of the following items for the year ended December 31, 2015:

Debt reimbursement receivable as of December 31	\$ 13,963,750
Principal debt payment reimbursements	4,681,250
Accumulated capital expenditure reimbursements	54,388,006
Amortization	<u>(1,409,848)</u>
Deferred inflow of resources from WAWSA	<u>\$ 71,623,158</u>

**CITY OF WILLISTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**AS OF DECEMBER 31, 2015**

**NOTE 19 CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION AND CORRECTION OF ERROR**

	Governmental	General Fund	Capital		Nonmajor		Nonmajor Proprietary
			Projects Fund	Governmental	Water	Sewer	
Net Position January 1, 2015, as previously reported	\$ 117,730,254	\$ 7,581,914	\$ 19,673,864	\$ 16,961,283	\$ 51,696,174	\$ 66,495,388	\$ 13,701,506
Restatement for pension accounting (A):							
Main System:							
Net Pension Liability	(3,762,158)	-	-	-	(523,845)	(142,867)	(333,356)
Pension related Deferred Outflows of Resources	360,181	-	-	-	65,132	17,763	41,448
Law Enforcement:							
Net Pension Liability	(923,243)	-	-	-	-	-	-
Pension related Deferred Outflows of Resources	107,586	-	-	-	-	-	-
Correction for agency fund (B)	(10,014)	-	-	(10,014)	-	-	-
Correction for debt issue (C)	-	-	(800,289)	-	-	-	-
Correction for assessment receivable (D)	1,900,862	-	-	-	-	-	-
Correction of fund classification (E)	-	1,992,802	-	(1,992,802)	-	-	-
Correction of WAWSA receivable (F)	-	-	-	-	(3,540,000)	-	-
Correction of deferred inflows related to WAWSA (G)	-	-	-	-	746,502	-	-
Net Position January 1, 2015, as restated	\$ 115,403,468	\$ 9,574,716	\$ 18,873,575	\$ 14,958,467	\$ 48,443,963	\$ 66,370,284	\$ 13,409,598

**A) Restatement for pension accounting:**

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension liability and deferred outflows of resources as of December 31, 2014.

**B) Correction of agency fund:**

During 2015, it was noted that a fund that had been reported as a nonmajor fund in the past should be reported as an Agency Fund. The correction of this error reduced assets and fund balance by \$10,014.

**C) Correction of debt issue:**

During 2015, it was noted a debt issue from 2014 was reported in a capital projects fund, however, this debt is associated with the Sewer Fund. The correction of this error resulted in a decrease of assets and fund balance by \$800,289 in the capital projects fund and an increase in cash and liabilities in the proprietary fund of the same amount.

**D) Correction of assessment receivable:**

During 2015, it was noted the special assessment receivable balance was not reflecting the current unpaid assessments by the property owners. The assessment receivable is represented as unavailable in the fund statements as it does not represent a current resource, however, on the government wide statements, this receivable would record the associated special assessment revenue increasing the assets and net position.

**E) Correction of fund classification:**

During 2015, it was noted some funds which were previously reported as nonmajor special revenue funds, should be reported with the general fund as they do not meet the definition of a special revenue fund according to Governmental Accounting Standards Board (GASB) Statement No. 54.

**CITY OF WILLISTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2015

**F) Correction of WAWSA receivable:**

During 2015, it was noted that the amount due from Western Area Water Supply Authority (WAWSA) for future debt service under the agreement described in Note 18 was not recorded and debt service reimbursements from WAWSA were incorrectly recorded as revenue in 2013 and 2014. The agreement with WAWSA meets the definition of a service concession arrangement under Governmental Accounting Standards Board (GASB) Statement No. 60.

**G) Correction of deferred WAWSA inflows:**

During 2015, it was noted that amounts paid by WAWSA for water treatment plant upgrades under the agreement described in Note 18 were not recorded as deferred inflows. As a result, amortization related to the deferred inflows was not recorded as revenue in 2013 and 2014. The agreement with WAWSA meets the definition of a service concession arrangement under Governmental Accounting Standards Board (GASB) Statement No. 60.

**NOTE 20 NEW PRONOUNCEMENTS**

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

**CITY OF WILLISTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2015

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, *Pensions provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

**CITY OF WILLISTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
AS OF DECEMBER 31, 2015

GASB Statement No. 80, *Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

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

**NOTE 21    SUBSEQUENT EVENTS**

No significant events occurred subsequent to the City's year end. Subsequent events have been evaluated through September 26, 2016, which is the date these financial statements were available to be issued.

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

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
Main System:					
2015	\$ 952,330	\$ 952,330	\$ -	10,434,350	9.13%
Law Enforcement:					
2015	\$ 297,874	\$ 297,874	\$ -	2,719,693	10.95%

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

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

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

Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Main System:					
2015	0.9433%	\$ 6,414,177	\$ 8,403,527	131.01%	77.15%
Law Enforcement:					
2015	15.1115%	\$ 918,100	\$ 2,079,158	226.46%	83.61%

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

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



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

To the City Commission  
City of Williston  
Williston, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund, and the aggregate remaining fund information of the City of Williston as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Williston's basic financial statements and have issued our report thereon dated September 26, 2016 which was qualified as the City has not recorded capital assets and related depreciation for infrastructure contributed to the City from developers for the City's Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Aggregate Remaining Fund Information.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we consider the items 2015-001 and 2015-002 to be material weaknesses.

## **Compliance and Other Matters**

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

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

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

## **Purpose of this Report**

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



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

September 26, 2016



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

The City Commission  
City of Williston  
Williston, North Dakota

### Report on Compliance for Each Major Federal Program

We have audited the City of Williston, North Dakota's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### Auditor's Responsibility

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

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

## Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended December 31, 2015.

## Report on Internal Control over Compliance

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

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

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

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



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

September 26, 2016

**CITY OF WILLISTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Grantor and Number	Federal Expenditures(\$)
<u>Department of Housing and Urban Development</u>			
Passed through North Dakota Division of Community Services			
Housing Project	14.228	2013-CD0506-H	\$ 15,921
Legacy at Central Place	14.228	3406-CD11-H	<u>565,500</u>
Total Department of Transportation			<u>581,421</u>
<u>United States Department of Justice</u>			
Passed through North Dakota Department of Attorney General			
Missing Children's Assistance	16.543		1,558
Bulletproof Vest Partnership Program	16.607		<u>343</u>
Total United States Department of Justice			<u>1,901</u>
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106	466 331000--3-38-0058-035-2012	99,980
Airport Improvement Program	20.106	4049 331000--3-38-0058-037-2014	989,831
Airport Improvement Program	20.106	4040 331000--3-38-0058-038-2014	566,354
Airport Improvement Program	20.106	4067 331000--3-38-0058-039-2015	338,298
Airport Improvement Program	20.106	4066 331000--3-38-0058-039-2015	406,242
Airport Improvement Program	20.106	4087 331000--3-38-0084-001-2015	<u>76,075</u>
			<u>2,476,780</u>
Passed through North Dakota Department of Transportation			
Alcohol Enforcement & Impaired Driving	20.601	PHSPID1510-02-26	1,664
Underage Drinking	20.601	PHSP4021305-04-33	1,600
Click it or Ticket	20.616	PHSPID1510-02-26	1,165
Click it or Ticket	20.616	PHSPID1610-02-23	484
Alcohol Enforcement & Impaired Driving	20.616	PHSPID1510-02-26	1,124
Alcohol Enforcement & Impaired Driving	20.616	PHSPID1610-02-23	<u>680</u>
Total Highway Safety Cluster			<u>6,717</u>
Total U.S. Department of Transportation			<u>2,483,497</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through North Dakota Department of Health			
Capitalization Grants for Clean Water			
State Revolving Funds - Clean Water			
State Revolving Fund Cluster	66.458		<u>59,706,711</u>
Total U.S. Environmental Protection Agency			<u>59,706,711</u>
<u>U.S. Department of Homeland Security</u>			
Passed through North Dakota Department of Emergency Services			
Homeland Security Grant Program	97.067	EMW-2015-SS-00064	<u>8,251</u>
Total U.S. Department of Homeland Security			<u>8,251</u>
Total Expenditures of Federal Awards			<u>\$ 62,781,781</u>

See Notes to the Schedule of Expenditures of Federal Awards

**CITY OF WILLISTON**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The City received federal awards both directly from federal agencies and indirectly through pass-through entities.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 CLUSTERS**

The accompanying schedule of expenditures of federal awards contains the following clusters:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Total</u>
Clean Water State Revolving Fund Cluster	66.458	\$59,706,711

**NOTE 4 LOANS OUTSTANDING**

The City of Williston had the following loan balances outstanding at December 31, 2015. Current year loan expenditures were \$59,706,711. These loan balances outstanding are not included in the federal expenditures presented in the schedule as they are not considered to have continuing compliance requirements:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
North Dakota Finance Authority - State Revolving Fund Mechanical Wastewater Treatment Plant	66.458	\$76,367,325

**CITY OF WILLISTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

**Section I-Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:

Governmental Activities	<u>Modified</u>
Business-Type Activities	<u>Modified</u>
General Fund	<u>Unmodified</u>
Sales Tax Fund	<u>Unmodified</u>
Municipal Highway	<u>Unmodified</u>
Tax Increment #10	<u>Unmodified</u>
Capital Projects	<u>Unmodified</u>
Water Fund	<u>Modified</u>
Sewer Fund	<u>Modified</u>
Aggregate Remaining Fund Information	<u>Modified</u>

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes    ___ no
Significant deficiency(ies) identified?	___ yes <u> X </u> none reported

Noncompliance material to financial statements noted?

\_\_\_ yes     X  no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	___ yes <u> X </u> no
Significant deficiency(ies) identified?	___ yes <u> X </u> none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_ yes     X  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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66.458	Capitalization Grants for Clean Water State Revolving Funds
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Dollar threshold used to distinguish between type A and type B programs:

\$1,883,453

Auditee qualified as low-risk auditee?

\_\_\_ yes     X  no

**CITY OF WILLISTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

**2015-001**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

Inadequate internal controls over recording of transactions affect the City's ability to detect misstatements in amounts that could be material in relation to the financial statements. The failure to record contributed capital from developers also resulted in a qualified opinion on the governmental activities, business-type activities, water fund and sewer fund.

**Recommendation**

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

**Views of Responsible Officials and Planned Corrective Actions**

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

**CITY OF WILLISTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

**2015-002**

**Criteria**

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

**Condition**

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

**Cause**

The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

**Effect**

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

**Recommendation**

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

**Views of Responsible Officials and Planned Corrective Actions**

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

**CITY OF WILLISTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

No findings reported.

**CITY OF WILLISTON**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2015

There are no findings to be reported in this section.