

**CITY OF WILLISTON
WILLISTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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CITY OF WILLISTON
OFFICIAL DIRECTORY (UNAUDITED)
AS OF DECEMBER 31, 2022

<u>Names</u>	<u>Office</u>
Howard Klug	President
Brad Bekkedahl	Vice President
Tate Cymbaluk	City Commissioner
Deanette Piesik	City Commissioner
James Bervig	City Commissioner
Hercules Cummings	Finance Director
Shawn Wenko	City Administrator

INDEPENDENT AUDITOR'S REPORT

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

Qualified and Unmodified Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
Water Fund	Qualified
Sewer Fund	Qualified
General Fund	Qualified
Sales Tax Fund	Unmodified
Public Safety Sales Tax Fund	Unmodified
2016 Refunding Improvement Fund	Unmodified
Capital Projects Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

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

In our opinion, except for the effects of the matters as described in the "Basis for Qualified Opinions on the Governmental Activities, Business-Type Activities, General Fund, 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, General Fund, Water Fund, Sewer Fund, and Aggregate Remaining Fund Information of the City of Williston as of December 31, 2022, 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 on the Sales Tax Fund, Public Safety Sales Tax Fund, 2016 Refunding Improvement Bond, and Capital Projects Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sales Tax Fund, Public Safety Sales Tax Fund, 2016 Refunding Improvement Fund, and Capital Projects Fund of the City of Williston, as of December 31, 2022, and the respective changes in financial position and the respective budgetary comparisons for the Sales Tax Fund, Public Safety Sales Tax Fund, 2016 Refunding Improvement Fund, and Capital Projects Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Williston and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters Giving Rise to the Qualified Opinions on the Governmental Activities, Business-Type Activities, General Fund, Water Fund, Sewer Fund, and Aggregate Remaining Fund Information

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

The City has not disclosed conduit debt balances as of December 31, 2022. The Governmental Accounting Standards Board (GASB) requires the City to disclose the aggregate amount of all conduit debt obligations outstanding at the balance sheet date. The amount by which this departure would affect the notes to the financial statements has not been determined.

The City has not recorded depreciation expense on infrastructure associated with its airport. Accounting principles generally accepted in the United States of America require that the City record depreciation on all capital assets once they are put into service. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Management has not adopted the provisions of Government Accounting Standards Board No. 87, *Leases*, for the City. Accounting principles generally accepted in the United States of America require that GASB Statement No. 87 be adopted. The amount by which this departure would affect the assets, deferred inflows of resources, revenue, net position, and fund balance of the governmental activities and general fund have not been determined.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Williston's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Williston's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Williston's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary 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 Information

Management is responsible for the other information included on page one. The other information comprises the Official Directory but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023 on our consideration of the City of Williston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Williston's internal control over financial reporting and compliance.



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

September 28, 2023

CITY OF WILLISTON
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 84,314,857	\$ 9,919,554	\$ 94,234,411
Accounts Receivable (Net)	4,599,830	1,644,184	6,244,014
Current Portion of Receivable from WAWSA	-	1,357,083	1,357,083
Intergovernmental Receivable	10,957,539	-	10,957,539
Taxes Receivable	82,878	-	82,878
Special Assessments Receivable	4,276,083	-	4,276,083
Internal Balances	1,000,000	(1,000,000)	-
Inventory	-	915,864	915,864
Total Current Assets	<u>105,231,187</u>	<u>12,836,685</u>	<u>118,067,872</u>
Restricted Cash and Cash Equivalents	4,461,120	6,491,853	10,952,973
Receivable from WAWSA - Net of Current Portion	-	3,235,000	3,235,000
Special Assessments Receivable - Unbilled	34,887,834	-	34,887,834
Other Assets	1,725,000	-	1,725,000
Cost Shared Infrastructure, Net	-	7,756,091	7,756,091
Capital Assets not being Depreciated:			
Land	18,230,546	457,470	18,688,016
Construction in Progress	284,517,836	9,415,579	293,933,415
Capital Assets (Net of Accumulated Depreciation)			
Buildings	67,849,255	166,898,668	234,747,923
Improvements other than Buildings and Infrastructure	157,881,138	161,965,852	319,846,990
Equipment	9,284,136	2,349,811	11,633,947
Total Capital Assets (Net of Accumulated Depreciation)	<u>537,762,911</u>	<u>341,087,380</u>	<u>878,850,291</u>
Total Non-Current Assets	<u>578,836,865</u>	<u>358,570,324</u>	<u>937,407,189</u>
Total Assets	<u>684,068,052</u>	<u>371,407,009</u>	<u>1,055,475,061</u>
DEFERRED OUTFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan & OPEB	34,160,987	6,720,136	40,881,123
Total Deferred Outflows of Resources	<u>34,160,987</u>	<u>6,720,136</u>	<u>40,881,123</u>
LIABILITIES			
Accounts Payable	3,535,420	874,101	4,409,521
Escrow Payable	22,000	-	22,000
Retainage Payable	562,987	-	562,987
Salaries and Benefits Payable	1,411,844	91,117	1,502,961
Due to Other Governments	124,027	-	124,027
Deposits Payable	-	74,824	74,824
Grant Payable	50,000	-	50,000
Accrued Interest Payable	966,741	589,085	1,555,826
Long-Term Liabilities Due Within One Year	13,199,797	6,109,643	19,309,440
Current Portion of Liability for Cost Shared Infrastructure	-	442,946	442,946
Noncurrent Liabilities:			
Revenue Bonds Payable	187,563,905	86,510,000	274,073,905
Finance Purchase	973,540	-	973,540
Special Assessment Bonds Payable	41,520,000	-	41,520,000
Bond Discounts	(386,209)	-	(386,209)
Bond Premiums	296,558	-	296,558
Cost Shared Infrastructure	-	7,803,379	7,803,379
Landfill Closure Costs	-	1,162,708	1,162,708
Net Pension Liability & OPEB	38,355,719	9,072,506	47,428,225
Compensated Absences Payable	2,173,951	293,655	2,467,606
Less Amounts Due within One Year	<u>(13,199,797)</u>	<u>(6,552,589)</u>	<u>(19,752,386)</u>
Total Liabilities	<u>277,170,483</u>	<u>106,471,375</u>	<u>383,641,858</u>
DEFERRED INFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan & OPEB	18,867,462	3,706,084	22,573,546
Deferred Inflows - Western Area Water Supply Authority	-	77,979,470	77,979,470
Total Deferred Inflows of Resources	<u>18,867,462</u>	<u>81,685,554</u>	<u>100,553,016</u>
NET POSITION			
Net Investment in Capital Assets	348,752,130	176,550,622	525,302,752
Restricted for:			
Urban and Economic Development	12,816,908	-	12,816,908
Culture and Recreation	786,868	-	786,868
Public Works	50,100	-	50,100
Airport	4,470,283	-	4,470,283
Public Safety	29,975,617	-	29,975,617
Health and Welfare	467,429	-	467,429
Capital Projects	1,402,973	-	1,402,973
Debt Service	78,198,813	6,491,853	84,690,666
Unrestricted	<u>(54,730,027)</u>	<u>6,927,741</u>	<u>(47,802,286)</u>
Total Net Position	<u>\$ 422,191,094</u>	<u>\$ 189,970,216</u>	<u>\$ 612,161,310</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating	Capital	Primary Government			
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 15,505,555	\$ 3,151,773	\$ 2,299,461	\$ -	\$ (10,054,321)	\$ -	\$ (10,054,321)	
Public Safety	28,188,313	3,114,837	30,000	-	(25,043,476)	-	(25,043,476)	
Public Works	17,875,581	628,726	1,380,686	4,280,096	(11,586,073)	-	(11,586,073)	
Health and Welfare	742,741	780,381	-	-	37,640	-	37,640	
Culture and Recreation	10,648,009	173,396	-	-	(10,474,613)	-	(10,474,613)	
Economic Development	3,289,401	-	60,747	-	(3,228,654)	-	(3,228,654)	
Airport	10,173,381	2,599,519	2,496,846	1,544,836	(3,532,180)	-	(3,532,180)	
Interest and Fees	6,946,611	-	-	-	(6,946,611)	-	(6,946,611)	
Total Governmental Activities	93,369,592	10,448,632	6,267,740	5,824,932	(70,828,288)	-	(70,828,288)	
Business-type Activities:								
Water	13,296,035	10,059,155	17,793	856,793	-	(2,362,294)	(2,362,294)	
Sewer	8,683,311	2,628,174	17,040	-	-	(6,038,097)	(6,038,097)	
Landfill	3,066,413	2,816,878	-	-	-	(249,535)	(249,535)	
Refuse	2,998,773	3,003,463	36,733	-	-	41,423	41,423	
Total Business-type Activities	28,044,532	18,507,670	71,566	856,793	-	(8,608,503)	(8,608,503)	
Total Primary Government	\$ 121,414,124	\$28,956,302	\$ 6,339,306	\$ 6,681,725				
General Revenues:								
Property Taxes								
Property Taxes, Levied for General Purposes					4,959,932	-	4,959,932	
Gross Production Tax					33,669,960	-	33,669,960	
Other Taxes					8,179,918	-	8,179,918	
City Sales Tax					30,683,695	-	30,683,695	
Cable Franchise Tax					223,389	-	223,389	
Unrestricted State Aid					2,575,106	-	2,575,106	
Interest					169,091	-	169,091	
Oil and Gas Royalties					1,465,557	-	1,465,557	
Refunds and Reimbursements					5,659,738	-	5,659,738	
Miscellaneous Revenue					274,933	-	274,933	
Gain on Sale of Capital Assets					203,299	178,500	381,799	
Transfers					(12,992,262)	12,992,262	-	
Total General Revenues and Transfers					75,072,356	13,170,762	88,243,118	
Change in Net Position					4,244,068	4,562,259	8,806,327	
Net Position - Beginning					417,947,026	185,407,957	603,354,983	
Net Position - Ending					\$ 422,191,094	\$ 189,970,216	\$ 612,161,310	

See Notes to the Financial Statements

CITY OF WILLISTON
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General	Sales Tax	Public Safety Sales Tax	2016 Refunding Improvement	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 24,740,896	\$ 5,495,272	\$ 14,952,711	\$ -	\$ -	\$ 39,125,978	\$ 84,314,857
Accounts receivable, net	2,480,376	-	-	-	30,797	2,088,657	4,599,830
Intergovernmental receivable	3,408,008	1,502,137	1,159,463	-	4,262,084	625,847	10,957,539
Taxes receivable	76,274	-	-	-	-	6,604	82,878
Special assessments receivable	92,835	-	-	12,644,429	56,614	26,370,039	39,163,917
Due from other funds	6,717,606	-	-	-	-	-	6,717,606
Interfund loans receivable	592,367	-	-	-	-	129,648	722,015
Restricted cash and investments	-	-	-	-	-	4,461,120	4,461,120
Other assets	-	-	-	-	-	1,725,000	1,725,000
Total Assets	<u>\$ 38,108,362</u>	<u>\$ 6,997,409</u>	<u>\$ 16,112,174</u>	<u>\$ 12,644,429</u>	<u>\$ 4,349,495</u>	<u>\$ 74,532,893</u>	<u>\$ 152,744,762</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 2,323,787	\$ -	\$ -	\$ -	\$ 955,295	\$ 256,338	\$ 3,535,420
Escrow payable	22,000	-	-	-	-	-	22,000
Retainage payable	-	-	-	-	562,987	-	562,987
Salaries and benefits payable	1,330,049	-	-	-	-	81,795	1,411,844
Due to other governments	67,984	-	-	-	-	56,043	124,027
Due to other funds	-	-	-	1,046,629	4,670,977	-	5,717,606
Interfund loans payable	129,648	-	-	-	-	592,367	722,015
Grant payable	-	-	-	-	-	50,000	50,000
Total Liabilities	<u>3,873,468</u>	<u>-</u>	<u>-</u>	<u>1,046,629</u>	<u>6,189,259</u>	<u>1,036,543</u>	<u>12,145,899</u>
Deferred Inflows of Resources							
Unavailable revenue - accounts receivable	1,651,287	-	-	-	-	-	1,651,287
Unavailable revenue - property taxes	76,274	-	-	-	-	6,604	82,878
Unavailable revenue - special assessments	63,514	-	-	12,354,514	22,267	25,023,135	37,463,430
Total Deferred Inflows of Resources:	<u>1,791,075</u>	<u>-</u>	<u>-</u>	<u>12,354,514</u>	<u>22,267</u>	<u>25,029,739</u>	<u>39,197,595</u>
FUND BALANCES							
Restricted	19,166,147	6,997,409	16,112,174	-	-	61,839,116	104,114,846
Assigned	223,486	-	-	-	-	3,981,123	4,204,609
Unassigned	13,054,186	-	-	(756,714)	(1,862,031)	(17,353,628)	(6,918,187)
Total Fund Balances	<u>32,443,819</u>	<u>6,997,409</u>	<u>16,112,174</u>	<u>(756,714)</u>	<u>(1,862,031)</u>	<u>48,466,611</u>	<u>101,401,268</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 38,108,362</u>	<u>\$ 6,997,409</u>	<u>\$ 16,112,174</u>	<u>\$ 12,644,429</u>	<u>\$ 4,349,495</u>	<u>\$ 74,532,893</u>	<u>\$ 152,744,762</u>

See Notes to the Financial Statements

CITY OF WILLISTON
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2022

Total Governmental Funds Balances	\$ 101,401,268
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Amounts reported for the governmental activities in the statement of net position are different because:

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

Capital Assets	\$ 613,550,769	
Accumulated Depreciation	<u>(75,787,858)</u>	537,762,911

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

Accounts receivable	1,651,287	
Property taxes	82,878	
Special assessments	<u>37,463,430</u>	39,197,595

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

Deferred outflows	34,160,987	
Deferred inflows	<u>(18,867,462)</u>	15,293,525

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

Revenue bonds payable	(187,563,905)	
Special assessment bonds payable	(41,520,000)	
Finance Purchase	(973,540)	
Bond premiums	(296,558)	
Bond discounts	386,209	
Interest payable	(966,741)	
Net OPEB liability	(1,956,853)	
Net pension liability	(36,398,866)	
Compensated absences	<u>(2,173,951)</u>	<u>(271,464,205)</u>

Net Position of Governmental Activities	<u>\$ 422,191,094</u>
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CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General	Sales Tax	Public Safety Sales Tax	2016 Refunding Improvement	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 39,422,174	\$ 16,804,919	\$ 13,878,776	\$ -	\$ -	\$ 7,611,025	\$ 77,716,894
Special assessments	-	-	-	885,305	61,118	3,516,000	4,462,423
Licenses, permits and fees	720,537	-	-	-	-	-	720,537
Intergovernmental	7,415,366	-	-	-	4,553,571	1,582,575	13,551,512
Intragovernmental	1,324,109	-	-	-	-	-	1,324,109
Charges for services	2,834,940	-	-	-	-	4,620,454	7,455,394
Fines, forfeitures and penalties	939,176	-	-	-	-	9,416	948,592
Interest	58,741	14,980	21,890	-	131	73,349	169,091
Oil and gas royalties	1,465,557	-	-	-	-	-	1,465,557
Refunds and reimbursements	1,142,380	-	-	-	2,773,406	1,606,379	5,522,165
Miscellaneous	252,353	-	-	-	-	22,577	274,930
Total Revenues	<u>55,575,333</u>	<u>16,819,899</u>	<u>13,900,666</u>	<u>885,305</u>	<u>7,388,226</u>	<u>19,041,775</u>	<u>113,611,204</u>
EXPENDITURES							
Current:							
General government	11,152,408	-	-	-	-	1,299,460	12,451,868
Public safety	18,577,065	-	7,226	-	-	5,335,561	23,919,852
Public works	8,359,568	-	-	-	54,738	-	8,414,306
Health and welfare	-	-	-	-	-	742,741	742,741
Culture and recreation	408,896	-	-	-	-	772,254	1,181,150
Urban and Economic development	577,036	9,378,048	-	-	-	2,710,704	12,665,788
Airport	5,378,612	-	-	-	-	-	5,378,612
Capital Outlay	2,056,137	-	230,642	-	19,629,558	2,826,012	24,742,349
Debt Service:							
Principal retirement	-	-	-	865,000	-	18,530,593	19,395,593
Interest and fees	362,522	-	-	551,320	934,306	7,032,514	8,880,662
Total Expenditures	<u>46,872,244</u>	<u>9,378,048</u>	<u>237,868</u>	<u>1,416,320</u>	<u>20,618,602</u>	<u>39,249,839</u>	<u>117,772,921</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>8,703,089</u>	<u>7,441,851</u>	<u>13,662,798</u>	<u>(531,015)</u>	<u>(13,230,376)</u>	<u>(20,208,064)</u>	<u>(4,161,717)</u>
OTHER FINANCING SOURCES (USES)							
Sale of assets	215,049	-	-	-	19,000	36,924	270,973
Debt issued	-	-	-	-	30,000,000	31,150,000	61,150,000
Bond premiums (discounts)	-	-	-	-	(63,471)	-	(63,471)
Payment to Refunded Bond Escrow	-	-	-	-	-	(30,426,500)	(30,426,500)
Transfers in	33,450,782	3,879,279	3,563,000	-	30,587,603	43,930,163	115,410,827
Transfers out	(57,019,493)	(12,313,686)	(24,897,884)	-	(16,147,720)	(13,659,169)	(124,037,952)
Total other financing sources and uses	<u>(23,353,662)</u>	<u>(8,434,407)</u>	<u>(21,334,884)</u>	<u>-</u>	<u>44,395,412</u>	<u>31,031,418</u>	<u>22,303,877</u>
Net Change in Fund Balances	<u>(14,650,573)</u>	<u>(992,556)</u>	<u>(7,672,086)</u>	<u>(531,015)</u>	<u>31,165,036</u>	<u>10,823,354</u>	<u>18,142,160</u>
Fund Balances - Beginning	47,094,392	7,989,965	23,784,260	(225,699)	(33,027,067)	37,643,257	83,259,108
Fund Balances - Ending	<u>\$ 32,443,819</u>	<u>\$ 6,997,409</u>	<u>\$ 16,112,174</u>	<u>\$ (756,714)</u>	<u>\$ (1,862,031)</u>	<u>\$ 48,466,611</u>	<u>\$ 101,401,268</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, 2022

Net Change in Fund Balances - Total Governmental Funds	\$	18,142,160
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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		11,538,186
Depreciation Expense		(8,364,650)

Net book value of capital assets disposed		(67,674)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Accounts Receivable		137,573
Property Taxes		(23,445)
Special Assessments		(3,322,710)

Bond premiums		63,471
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Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position. Loan proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the Statement of Net Position.

Principal Debt Payments		49,822,093
Amortization of bond premium & discounts		1,725,943
Loan Proceeds		(61,150,000)

Changes of the Net Pension Liability and OPEB are expenditures in the governmental funds, but the change reduces long-term liabilities in the statement of net position.		(25,761,266)
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Changes in deferred outflows and inflows of resources related to the net pension liability.		21,389,325
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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		(93,048)
Interest		208,110

Changes in Net Position	\$	4,244,068
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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, 2022

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Property taxes	\$ 5,273,000	\$ 5,207,825	\$ (65,175)
Licenses, permits and fees	397,250	720,537	323,287
Intergovernmental	1,810,000	2,958,010	1,148,010
Intragovernmental	888,000	1,324,109	436,109
Charges for services	202,500	518,654	316,154
Fines, forfeitures and penalties	863,000	931,826	68,826
Interest	5,000	25,630	20,630
Oil and gas royalties	-	5,000	5,000
Refunds and reimbursements	250,000	1,142,084	892,084
Miscellaneous	80,851	129,374	48,523
Total Revenues	<u>9,769,601</u>	<u>12,963,049</u>	<u>3,193,448</u>
EXPENDITURES			
Current:			
General government	11,701,334	11,152,408	548,926
Public safety	15,674,674	18,493,773	(2,819,099)
Public works	8,154,826	8,299,715	(144,889)
Economic development	579,987	577,036	2,951
Capital Outlay	2,237,825	1,742,156	495,669
Debt Service:			
Interest and fees	7,390	362,522	(355,132)
Total Expenditures	<u>38,356,036</u>	<u>40,627,610</u>	<u>(2,271,574)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(28,586,435)</u>	<u>(27,664,561)</u>	<u>921,874</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	20,000	-	(20,000)
Transfers in	300,165	30,445,117	30,144,952
Transfers out	-	(50)	(50)
Total Other Financing Sources and Uses	<u>320,165</u>	<u>30,445,067</u>	<u>30,124,902</u>
Net Change in Fund Balances	(28,266,270)	2,780,506	31,046,776
Fund Balances - Beginning	<u>9,933,516</u>	<u>9,933,516</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (18,332,754)</u>	<u>\$ 12,714,022</u>	<u>\$ 31,046,776</u>
General Fund in Addition to Fund 100:			
General fund		\$ 12,714,022	
Parking Authority		50,100	
City building		577,608	
Police Auction Forfeitures		243,857	
Park		32,975	
Williston Square		190,511	
Oil Royalty		340,164	
Airport		18,294,582	
Total General Fund		<u>\$ 32,443,819</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, 2022

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Sales taxes	\$ 14,000,000	\$ 16,804,919	\$ 2,804,919
Interest	5,000	14,981	9,981
Total Revenues	<u>14,005,000</u>	<u>16,819,900</u>	<u>2,814,900</u>
EXPENDITURES			
Current:			
Urban and Economic Development	<u>8,000,000</u>	<u>9,378,049</u>	<u>(1,378,049)</u>
Total Expenditures	<u>8,000,000</u>	<u>9,378,049</u>	<u>(1,378,049)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,005,000</u>	<u>7,441,851</u>	<u>1,436,851</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,871,801	3,879,279	7,478
Transfers out	<u>(2,353,150)</u>	<u>(12,313,686)</u>	<u>(9,960,536)</u>
Total Other Financing Sources and Uses	<u>1,518,651</u>	<u>(8,434,407)</u>	<u>9,953,058</u>
Net Change in Fund Balances	<u>7,523,651</u>	<u>(992,556)</u>	<u>(8,516,207)</u>
Fund Balances - Beginning	<u>7,989,965</u>	<u>7,989,965</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 15,513,616</u>	<u>\$ 6,997,409</u>	<u>\$ (8,516,207)</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – PUBLIC SAFETY SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Sales taxes	\$ 7,500,000	\$ 13,878,776	\$ 6,378,776
Interest	12,000	21,890	9,890
Total Revenues	<u>7,512,000</u>	<u>13,900,666</u>	<u>6,388,666</u>
EXPENDITURES			
Current:			
Public Safety	-	7,226	(7,226)
Capital Outlay	-	<u>230,642</u>	<u>(230,642)</u>
Total Expenditures	-	<u>237,868</u>	<u>(237,868)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,512,000</u>	<u>13,662,798</u>	<u>6,150,798</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	3,563,000	3,563,000
Transfers out	<u>(8,093,683)</u>	<u>(24,897,884)</u>	<u>(16,804,201)</u>
Total Other Financing Sources and Uses	<u>(8,093,683)</u>	<u>(21,334,884)</u>	<u>13,241,201</u>
Net Change in Fund Balances	<u>(581,683)</u>	<u>(7,672,086)</u>	<u>(7,090,403)</u>
Fund Balances - Beginning	<u>23,784,260</u>	<u>23,784,260</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 23,202,577</u>	<u>\$ 16,112,174</u>	<u>\$ (7,090,403)</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-Major	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,176,304	\$ 111,584	\$ 7,631,666	\$ 9,919,554
Accounts receivable (net)	711,305	339,738	593,141	1,644,184
Current portion of receivable from WAWSA	1,357,083	-	-	1,357,083
Inventory	899,072	16,792	-	915,864
Total Current Assets	5,143,764	468,114	8,224,807	13,836,685
Non-Current Assets:				
Restricted cash and cash equivalents	1,375,625	3,953,520	1,162,708	6,491,853
Receivable from WAWSA - net of current portion	3,235,000	-	-	3,235,000
Cost shared infrastructure	7,756,091	-	-	7,756,091
Capital assets:				
Land	377,956	-	79,514	457,470
Construction in progress	7,639,784	1,775,795	-	9,415,579
Capital assets (net of accumulated depreciation):				
Buildings	76,393,530	88,220,098	2,285,040	166,898,668
Improvements other than buildings	66,426,581	88,313,644	7,225,627	161,965,852
Equipment	398,038	361,420	1,590,353	2,349,811
Total Non-Current Assets	163,602,605	182,624,477	12,343,242	358,570,324
Total Assets	168,746,369	183,092,591	20,568,049	372,407,009
DEFERRED OUTFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	2,575,030	1,372,602	2,772,504	6,720,136
Total Deferred Outflows of Resources	2,575,030	1,372,602	2,772,504	6,720,136
LIABILITIES				
Current Liabilities:				
Accounts payable	624,779	37,395	211,927	874,101
Salaries and benefits payable	40,139	15,659	35,319	91,117
Deposits payable	74,824	-	-	74,824
Due to other funds	1,000,000	-	-	1,000,000
Accrued interest payable	37,728	551,357	-	589,085
Revenue bonds payable	1,255,000	4,575,000	-	5,830,000
Current portion of liability on cost shared infrastructure	442,946	-	-	442,946
Compensated absences	148,009	34,000	97,634	279,643
Total Current Liabilities	3,623,425	5,213,411	344,880	9,181,716
Non-Current Liabilities:				
Revenue bonds payable	3,235,000	77,445,000	-	80,680,000
Liability for cost shared infrastructure	7,360,433	-	-	7,360,433
Net pension liability	3,517,377	1,704,309	3,850,820	9,072,506
Accrued closure and postclosure liability	-	-	1,162,708	1,162,708
Compensated absences	-	8,314	5,698	14,012
Total Non-Current Liabilities	14,112,810	79,157,623	5,019,226	98,289,659
Total Liabilities	17,736,235	84,371,034	5,364,106	107,471,375
DEFERRED INFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	1,391,192	925,552	1,389,340	3,706,084
Deferred Inflows - Western Area Water Supply Authority	77,979,470	-	-	77,979,470
Total Deferred Inflows of Resources	79,370,662	925,552	1,389,340	81,685,554
NET POSITION				
Net Investment in Capital Assets	68,719,131	96,650,957	11,180,534	176,550,622
Restricted	1,375,625	3,953,520	1,162,708	6,491,853
Unrestricted	4,119,746	(1,435,870)	4,243,865	6,927,741
Total Net Position	\$ 74,214,502	\$ 99,168,607	\$ 16,587,107	\$ 189,970,216

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, 2022

	Business-type Activities - Enterprise Funds			Totals
	Water	Sewer	Non-Major	Current Year
OPERATING REVENUES:				
Charges for services	\$ 9,992,195	\$ 2,586,926	\$ 5,784,920	\$ 18,364,041
Miscellaneous	66,960	41,248	35,421	143,629
Total Operating Revenues	<u>10,059,155</u>	<u>2,628,174</u>	<u>5,820,341</u>	<u>18,507,670</u>
OPERATING EXPENSES:				
Salaries and benefits	2,384,788	1,075,659	2,477,432	5,937,879
Materials and supplies	5,665,126	1,059,797	2,000,330	8,725,253
Contractual services	654,710	189,947	531,317	1,375,974
Depreciation	3,725,034	4,187,674	1,011,440	8,924,148
Amortization	439,111	-	-	439,111
Miscellaneous	128,429	38,124	44,667	211,220
Total Operating Expenses	<u>12,997,198</u>	<u>6,551,201</u>	<u>6,065,186</u>	<u>25,613,585</u>
Operating Income (Loss)	<u>(2,938,043)</u>	<u>(3,923,027)</u>	<u>(244,845)</u>	<u>(7,105,915)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest and service charges	(298,837)	(2,132,110)	-	(2,430,947)
Federal grants	17,793	17,040	36,733	71,566
Amortization of WAWSA deferred inflows	856,793	-	-	856,793
Gain on sale of capital asset	-	-	178,500	178,500
Total Non-Operating Revenues (Expenses)	<u>575,749</u>	<u>(2,115,070)</u>	<u>215,233</u>	<u>(1,324,088)</u>
Income (Loss) before contributions and transfers	<u>(2,362,294)</u>	<u>(6,038,097)</u>	<u>(29,612)</u>	<u>(8,430,003)</u>
Capital contributions	2,651,810	1,713,327	-	4,365,137
Transfers in	-	8,627,125	-	8,627,125
Changes in Net Position	<u>289,516</u>	<u>4,302,355</u>	<u>(29,612)</u>	<u>4,562,259</u>
Total Net Position - Beginning	<u>73,924,986</u>	<u>94,866,252</u>	<u>16,616,719</u>	<u>185,407,957</u>
Total Net Position - Ending	<u>\$ 74,214,502</u>	<u>\$ 99,168,607</u>	<u>\$ 16,587,107</u>	<u>\$ 189,970,216</u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Non-Major Funds	Totals Current Year
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 9,832,232	\$ 2,396,819	\$ 5,686,529	\$ 17,915,580
Payments to Suppliers	(7,157,082)	(1,336,532)	(2,468,754)	(10,962,368)
Payments to Employees	(2,124,689)	(918,096)	(2,144,796)	(5,187,581)
Other Operating Revenue	66,960	41,248	35,421	143,629
Net Cash Provided (Used) by Operating Activities	<u>617,421</u>	<u>183,439</u>	<u>1,108,400</u>	<u>1,909,260</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers In	-	8,627,125	-	8,627,125
Operating Subsidies from Federal Grants	17,793	17,040	36,733	71,566
Due to/from Other Funds	-	(761,756)	-	(761,756)
Net Cash Provided by Noncapital Financing Activities	<u>17,793</u>	<u>7,882,409</u>	<u>36,733</u>	<u>7,936,935</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(825,668)	(9,300)	(504,685)	(1,339,653)
Payment on Cost Shared Infrastructure Liability	(434,539)	-	-	(434,539)
Proceeds from Sale of Capital Assets	-	-	178,500	178,500
Principal Payments on Long-Term Debt	(1,225,000)	(4,465,000)	-	(5,690,000)
Reimbursement from WAWSA for Debt Payments	1,242,917	-	-	1,242,917
Interest and Fiscal Charges on Debt	(309,131)	(2,162,124)	-	(2,471,255)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,551,421)</u>	<u>(6,636,424)</u>	<u>(326,185)</u>	<u>(8,514,030)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(916,207)	1,429,424	818,948	1,332,165
Cash and Cash Equivalents, January 1	<u>4,468,136</u>	<u>2,635,680</u>	<u>7,975,426</u>	<u>15,079,242</u>
Cash and Cash Equivalents, December 31	<u>\$ 3,551,929</u>	<u>\$ 4,065,104</u>	<u>\$ 8,794,374</u>	<u>\$ 16,411,407</u>
RECONCILIATION OF CASH AND RESTRICTED CASH				
Cash	\$ 2,176,304	\$ 111,584	\$ 7,631,666	\$ 9,919,554
Restricted Cash	<u>1,375,625</u>	<u>3,953,520</u>	<u>1,162,708</u>	<u>6,491,853</u>
Total Cash and Restricted Cash	<u>\$ 3,551,929</u>	<u>\$ 4,065,104</u>	<u>\$ 8,794,374</u>	<u>\$ 16,411,407</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (2,938,043)	\$ (3,923,027)	\$ (244,845)	\$ (7,105,915)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization Expense	4,164,145	4,187,674	1,011,440	9,363,259
Changes in Assets and Liabilities:				
Accounts Receivable	(170,767)	(190,107)	(98,391)	(459,265)
Inventory	(577,243)	2,912	-	(574,331)
Deferred Pension Outflows	(680,256)	(307,939)	(680,257)	(1,668,452)
Accounts Payable	(131,574)	(51,576)	18,756	(164,394)
Deposits Payable	10,804	-	-	10,804
Salaries and Benefits Payable	(9,480)	1,470	1,563	(6,447)
Compensated Absences	(71,071)	1,620	(9,577)	(79,028)
Net Pension Liability	2,206,384	1,000,565	2,206,384	5,413,333
Deferred Pension Inflows	(1,185,478)	(538,153)	(1,185,477)	(2,909,108)
Closure/Post Closure Costs	-	-	88,804	88,804
Net Cash Provided (Used) by Operating Activities	<u>\$ 617,421</u>	<u>\$ 183,439</u>	<u>\$ 1,108,400</u>	<u>\$ 1,909,260</u>
Noncash Investing, Capital, and Financing Activities				
Contribution of Capital Assets from Capital Project Funds	\$ 2,651,810	\$ 1,713,327	\$ -	\$ 4,365,137
Cost Shared Infrastructure Acquired with Deferred Inflows of Resources	1,387,894	-	-	1,387,894

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
DECEMBER 31, 2022

	<u>Custodial Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 12,797
Total Assets	<u>12,797</u>
LIABILITIES	
Due to Other Entities	<u>12,797</u>
Total Liabilities	<u>12,797</u>
NET POSITION	<u><u>\$ -</u></u>

See Notes to the Financial Statements

CITY OF WILLISTON
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Custodial Funds</u>
ADDITIONS:	
Amounts Collected for Other Entities	\$ <u>8</u>
DEDUCTIONS:	
Amounts Disbursed to Other Entities	<u>8</u>
Change in Net Position	<u>-</u>
Net Position - Beginning	<u>-</u>
Net Position - Ending	<u><u>\$ -</u></u>

See Notes to the Financial Statements

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Basis of Presentation

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

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

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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.

Public Safety Sales Tax Fund – This fund accounts for the financial resources of the City sales tax which is dedicated to city debt retirement and public safety.

2016 Refunding Improvement Fund – This fund accounts for the repayment of special assessment debt.

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:

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

Measurement Focus and Basis of Accounting

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

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

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

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

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

Budgets

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

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

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

Cash and Cash Equivalents

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

Taxes Receivable

The taxes receivable represents the past two years of delinquent uncollected taxes. No allowance has been established for uncollectible taxes receivable. As of December 31, 2022, all accounts are considered collectible.

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

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

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

Special Assessments Receivable

Special assessments receivable consists of uncollected special assessments due to the City at December 31, 2022 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, 2022, all accounts are considered collectible.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Other Assets

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

Intangible Assets

Intangible assets are recorded at historical cost less accumulated amortization. A portion of the intangible assets is charged against earnings each year as amortization expense. Amortization is computed on the straight-line basis, over the estimated useful life of the asset. The City entered into a service concession arrangement with neighboring water districts. Under GASB 60 – Service Concession Arrangements, the access and use payment plan associated with the agreement is capitalized at the present value. All intangible assets under the service concession arrangement are to be amortized over the remaining life of the agreement.

Capital Assets

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

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

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

Refundable Sales Tax

The City has recorded a liability for amounts due to the State for adjustments made to sales tax collections for the years 2017 through 2019. The remaining balance was paid off in monthly installments through June 2021. One half of this balance represents the Park District's share which is included in intergovernmental receivables as the City will collect from the Park District and remit to the State. The Park District made their final payment in August 2022.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Other Post Employment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

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

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 long-term receivables, property taxes and special assessments. These amounts are unavailable and recognized as an inflow of resources in the period that the amounts become available. The City also has three items reported on the statement of net position. The first items, the *cost sharing defined benefit pension plan and cost sharing defined benefit OPEB plan*, represents actuarial differences within the NDPERS pension plans and OPEB plan. The third, the *Western Area Water Supply Authority* represents the deferred inflows that result from a service concession arrangement. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Full-time non-fire department employees are granted vacation benefits from 1 to 2 days per month depending on tenure with the City. Fire department employees on 24-hour shifts earn 12-24 hours per month depending on the tenure with the City. Part-time employees working an established schedule of 20 or more hours per week are eligible for vacation benefits on a prorated basis. Full-time non-fire department employees can accrue up to a maximum of 240 hours of vacation at year end. Fire department employees can accrue up to a maximum of 288 hours of vacation at year end. Upon termination of employment, full-time non-fire department employees will be paid for vacation benefits that have been accrued to a maximum of 240 hours and fire department employees will be paid 288 hours.

For full-time non-fire department employees, sick leave benefits accrue at the rate of 8 hours per month. For fire department employees on 24-hour shifts, sick leave benefits accrue at the rate of 12 hours per month. Part-time employees working an established schedule of 20 or more hours per week are eligible for sick leave on a prorated basis. Unused sick leave benefits are allowed to accumulate to 480 hours. Each year in January, employees hired before December 31, 2018, are paid for one-half of accumulated sick leave in excess of the maximum carry over

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

For non-exempt hourly employees eligible for the Public Safety Retirement Plan, compensatory time may carry over and is payable at termination of employment or retirement. The maximum accrual is 60 hours for sworn police officers. Fire department personnel working 24-hour shifts may accumulate compensatory time based on their hire dates. Those hired on or before December 31, 2018, may accrue a maximum of 480 hours. Personnel hired on or after January 1, 2019, may accrue a maximum of 280 hours.

Long-Term Obligations

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

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

Sales Tax Revenue

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

Fund Balance

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

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

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

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

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

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

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

Pensions

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

Estimates

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

NOTE 2 LEGAL COMPLIANCE

Budget Amendments

The City's governing board did not amend the City budgets for the year ended December 31, 2022.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Fund Deficits

The following funds were in a deficit position at December 31, 2022:

Capital Project	\$ 1,862,031
Special Assess-City Property	1,401,261
Cemetery	102,560
Ambulance	3,808,115
Old Armory	29,685
2015 Refunding	440,239
2016 Refunding	756,714
2017A TIF Rev Bond	2,095,413
2017B TIF Rev Bond	5,062,162
2017 Refunding	1,686,420
2019 Refunding Bond	2,727,773
	<u>\$ 19,972,373</u>

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

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2022, the City's carrying amount of deposits was \$105,200,181 and the bank balance was \$106,661,417. The City's balances were fully collateralized as of December 31, 2022.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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, 2022, the City's cash and cash equivalents include amounts in demand deposits and certificates of deposit.

NOTE 4 RESTRICTED CASH

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

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonmajor Governmental	Debt Service	\$ 4,461,120
Water Fund	Debt Service	1,375,625
Sewer Fund	Debt Service	3,953,520
Nonmajor Proprietary	Landfill Closure and Post-Closure Costs	1,162,708
		<u>\$ 10,952,973</u>

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consists of amounts on open account from individuals for goods and services furnished by the City. The carrying amount of the accounts receivable is reduced by an amount that reflects management's best estimates of the amounts that will not be collected. The City had allowances for uncollectible accounts totaling \$2,264,335 for governmental activities accounts receivable and \$67,011 for business-type activities accounts receivable recorded at December 31, 2022.

NOTE 6 INTERGOVERNMENTAL RECEIVABLE

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

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 7 CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended December 31, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>					
Capital Assets, Non-Depreciable:					
Land	\$ 17,632,917	\$ 597,629	\$ -	\$ -	\$ 18,230,546
Construction in progress	289,503,818	8,256,025	43,500	(13,198,507)	284,517,836
Total Non-Depreciable:	<u>307,136,735</u>	<u>8,853,654</u>	<u>43,500</u>	<u>(13,198,507)</u>	<u>302,748,382</u>
Capital Assets, Depreciable					
Buildings	78,416,477	209,232	-	493,615	79,119,324
Improvements other than buildings	7,658,451	157,032	-	23,650	7,839,133
Equipment	34,815,835	3,064,328	1,255,127	19,912	36,644,948
Infrastructure	<u>174,310,182</u>	<u>227,480</u>	<u>-</u>	<u>12,661,330</u>	<u>187,198,992</u>
Total Capital Assets, being depreciated	<u>295,200,945</u>	<u>3,658,072</u>	<u>1,255,127</u>	<u>13,198,507</u>	<u>310,802,397</u>
Less Accumulated Depreciation for:					
Buildings	9,688,536	1,581,533	-	-	11,270,069
Improvements other than buildings	1,217,949	407,488	-	-	1,625,437
Equipment	25,841,912	2,749,853	1,230,953	-	27,360,812
Infrastructure	<u>31,905,774</u>	<u>3,625,776</u>	<u>-</u>	<u>-</u>	<u>35,531,550</u>
Total Accumulated Depreciation	<u>68,654,171</u>	<u>8,364,650</u>	<u>1,230,953</u>	<u>-</u>	<u>75,787,868</u>
Total capital assets being depreciated, net	<u>226,546,774</u>	<u>(4,706,578)</u>	<u>24,174</u>	<u>13,198,507</u>	<u>235,014,529</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 533,683,509</u>	<u>\$ 4,147,076</u>	<u>\$ 67,674</u>	<u>\$ -</u>	<u>\$ 537,762,911</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
<u>Business-type Activities</u>					
Capital Assets, Non-Depreciable:					
Land	\$ 457,470	\$ -	\$ -	\$ -	\$ 457,470
Construction in Progress	10,393,000	5,170,829	-	(6,148,250)	9,415,579
Total Non-Depreciable	<u>10,850,470</u>	<u>5,170,829</u>	<u>-</u>	<u>(6,148,250)</u>	<u>9,873,049</u>
Capital Assets, Depreciable:					
Buildings	199,235,400	1,387,894	-	-	200,623,294
Improvements other than buildings	193,279,230	10,231	-	6,148,250	199,437,711
Equipment	14,958,106	523,730	476,800	-	15,005,036
Total Capital Assets, being depreciated	<u>407,472,736</u>	<u>1,921,855</u>	<u>476,800</u>	<u>6,148,250</u>	<u>415,066,041</u>
Less Accumulated Depreciation for:					
Buildings	29,740,246	3,984,380	-	-	33,724,626
Improvements other than buildings	33,503,770	3,968,089	-	-	37,471,859
Equipment	12,160,346	971,679	476,800	-	12,655,225
Total Accumulated Depreciation	<u>75,404,362</u>	<u>8,924,148</u>	<u>476,800</u>	<u>-</u>	<u>83,851,710</u>
Total capital assets being depreciated, net	<u>332,068,374</u>	<u>(7,002,293)</u>	<u>-</u>	<u>6,148,250</u>	<u>331,214,331</u>
Total Business-type Activities Capital Assets, Net	<u>\$ 342,918,844</u>	<u>\$ (1,831,464)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,087,380</u>
Depreciation expense was charged to Governmental functions as follows:					
General Government					\$ 625,875
Public Safety					2,231,286
Public Services					622,249
Culture and Recreation					88,810
Highways and Streets					4,794,769
Economic Development					1,661
Total Depreciation Expense					<u>\$ 8,364,650</u>
Depreciation expense was charged to Business Type functions as follows:					
Water					\$ 3,725,034
Sewer					4,187,674
Landfill					599,537
Refuse					411,903
Total Depreciation Expense					<u>\$ 8,924,148</u>

As of December 31, 2022, the City had outstanding commitments of approximately \$6.4 million related to construction projects.

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 8 LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2022, was as follows:

	Balance 01/01/22	Debt Issued	Retirements 2022	Balance 12/31/22	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 172,955,998	\$ 61,150,000	\$ 46,542,093	\$ 187,563,905	\$ 9,995,542
Bond Premiums	2,054,871	-	1,758,313	296,558	(18,498)
Bond Discounts	(355,108)	(63,471)	(32,370)	(386,209)	35,280
Compensated Absences	2,080,903	1,954,408	1,861,360	2,173,951	-
Financed Equipment	-	973,540	-	973,540	77,473
Special Assessment	44,800,000	-	3,280,000	41,520,000	3,110,000
Governmental Activities Long-Term Liabilities	<u>\$ 221,536,664</u>	<u>\$ 64,014,477</u>	<u>\$ 53,409,396</u>	<u>\$ 232,141,745</u>	<u>\$ 13,199,797</u>
<u>Business-Type Activities:</u>					
Revenue Bonds	\$ 92,200,000	\$ -	\$ 5,690,000	\$ 86,510,000	\$ 5,830,000
WAWSA - Cost Shared Infrastructure	7,623,259	180,120	-	7,803,379	442,946
Landfill Closure Costs	1,073,904	88,804	-	1,162,708	-
Compensated Absences	372,683	238,415	317,443	293,655	279,643
Business-Type Activity Long-Term Liabilities	<u>\$ 101,269,846</u>	<u>\$ 507,339</u>	<u>\$ 6,007,443</u>	<u>\$ 95,769,742</u>	<u>\$ 6,552,589</u>

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

Current Refunding

On May 3, 2022, the City issued 2022 PSST Refunding Bonds of \$12,692,000, net of issuance costs, which, together with reserve funds of \$7,780,958, were deposited into an escrow account for the purpose of refunding \$20,105,000 of outstanding County-Wide Public Safety Sales Tax Revenue Bonds, Series 2015A and Series 2018A, on July 15, 2022.

Advance Refunding

On November 14, 2022, the City issued Airport Revenue Refunding Note, Series 2022, for \$18,019,172, net of issuance costs, which, together with reserve funds of \$2,748,500, were deposited into an escrow account for the purpose of refunding \$20,565,000 of outstanding Airport Revenue Bonds, Series 2018, on November 1, 2023.

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Outstanding debt at December 31, 2022 (excluding compensated absences, landfill post closure liability, OPEB, and net pension liability) consisted of the following issues:

	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/22	Amounts Due in 2023	
							Principal	Interest
<u>Governmental Activities:</u>								
Revenue Bond								
2015A Public Safety Sales Tax	2015	4.55%	2021/25	24,530,000	\$ 12,610,000	\$ -	\$ -	\$ -
2017A TIF Revenue Bond	2017	4.75-6.0%	2028/35	10,280,000	-	10,280,000	-	570,138
2017B TIF Revenue Bond	2017	3.0-5.5%	2021/28	8,750,000	720,000	4,855,000	760,000	233,430
2018A Public Safety Sales Tax	2018	3.0-5.0%	2021/25	11,100,000	7,495,000	-	-	-
2018 Airport City Sales Tax Revenue	2018	3.6-5.0%	2021/30	27,485,000	22,380,000	-	-	-
USDA XWA Airport Fire Rescue	2019	3.00%	2021/37	2,982,741	1,074,434	1,781,031	98,749	53,431
2020B USDA XWA	2020	3.71%	2021/50	19,000,000	365,942	18,251,841	379,771	671,610
2020A USDA XWA	2020	2.13%	2021/55	95,000,000	1,896,717	91,246,033	1,937,022	1,938,978
2022 PSST Refunding	2022	2.16%	2023/25	12,895,000	-	12,895,000	4,135,000	334,238
2022 Airport CST Refunding	2022	3.15%	2023/30	18,255,000	-	18,255,000	1,905,000	793,205
2022 COP PubWorksComplex	2022	5.05% - 6.375%	2023/42	30,000,000	-	30,000,000	780,000	1,584,240
					<u>\$ 46,542,093</u>	<u>\$ 187,563,905</u>	<u>\$ 9,995,542</u>	<u>\$ 6,179,270</u>
Special Assessments:								
	2014	2.0-5.0%	2021/33	4,490,000	\$ 240,000	\$ 2,515,000	\$ 235,000	\$ 82,550
	2014B	1.0-4.0%	2021/34	15,075,000	800,000	9,025,000	800,000	253,205
	2015	3.0-3.5%	2021/35	9,645,000	420,000	6,935,000	420,000	214,981
	2016	1.0-5.0%	2021/36	20,185,000	865,000	15,115,000	870,000	532,775
	2017	1.0-5.0%	2021/37	2,280,000	160,000	1,625,000	85,000	55,840
	2019	2.0-4.0%	2021/38	1,145,000	50,000	980,000	50,000	32,105
	2021	2.0-3.0%	2021/40	6,880,000	745,000	5,325,000	650,000	120,025
					<u>\$ 3,280,000</u>	<u>\$ 41,520,000</u>	<u>\$ 3,110,000</u>	<u>\$ 1,291,481</u>
Financed Equipment								
Pierce Manufacturing - Enforcer Pump	2022	4.98%	2023/32	973,540	\$ -	\$ 973,540	\$ 77,473	\$ 48,482
					<u>\$ -</u>	<u>\$ 973,540</u>	<u>\$ 77,473</u>	<u>\$ 48,482</u>

	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/22	Amounts Due in 2023	
							Principal	Interest
<u>Business-Type Activities:</u>								
Revenue Bond								
SRF Wastewater Treatment	2014	2.00%	2021/37	\$ 112,838,182	\$ 4,465,000	\$ 82,020,000	\$ 4,575,000	\$ 1,640,400
SRF Water Treatment	2003	2.50%	2021/23	3,408,344	225,000	230,000	230,000	5,750
SRF Water Treatment	2006	2.50%	2021/26	17,593,148	1,000,000	4,260,000	1,025,000	106,500
					<u>\$ 5,690,000</u>	<u>\$ 86,510,000</u>	<u>\$ 5,830,000</u>	<u>\$ 1,752,650</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 to pay the debt service. The City has committed to appropriate each year, the portion of the City's one percent sales and use tax revenues necessary to pay the annual principal and interest requirements on the governmental revenue bonds. Proceeds from the bonds provided financing for the construction of infrastructure needs of the City. The bonds are payable through 2055.

CITY OF WILLISTON
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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 and sanitary sewer system. The bonds are payable from water and sewer customer net revenues and through a portion of the City's public safety sales tax, other sales and use tax and oil and gas production tax revenues. The City has committed to appropriate each year, sales and use tax revenues sufficient to cover the annual principal, interest and minimum reserve requirements of the City's sales tax revenue bonds. The City has pledged their oil and gas production tax revenue each year, sufficient to cover the principal and interest requirements of the City's SRF and airport revenue bonds. The revenue bonds are payable through 2055 and the SRF bonds are payable through 2037.

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
2023	\$ 9,995,542	\$ 6,179,270	\$ 5,830,000	\$ 1,752,650	\$ 15,825,542	\$ 7,931,920
2024	10,537,153	5,897,373	5,740,000	1,629,775	16,277,153	7,527,148
2025	10,948,928	5,578,888	5,885,000	1,509,725	16,833,928	7,088,613
2026	6,710,455	5,245,564	6,030,000	1,386,625	12,740,455	6,632,189
2027	6,963,570	4,996,535	5,050,000	1,260,500	12,013,570	6,257,035
2028-2032	33,415,005	20,972,933	27,205,000	4,736,300	60,620,005	25,709,233
2033-2037	29,814,452	14,814,736	30,770,000	1,876,500	60,584,452	16,691,236
2038-2042	28,377,422	9,387,792	-	-	28,377,422	9,387,792
2043-2047	19,685,884	4,951,019	-	-	19,685,884	4,951,019
2048-2052	20,007,722	2,451,306	-	-	20,007,722	2,451,306
2053-2057	11,107,772	474,429	-	-	11,107,772	474,429
Total	<u>\$ 187,563,905</u>	<u>\$ 80,949,845</u>	<u>\$ 86,510,000</u>	<u>\$ 14,152,075</u>	<u>\$ 274,073,905</u>	<u>\$ 95,101,920</u>

Special Assessment

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

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

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2023	\$ 3,110,000	\$ 1,291,481
2024	3,120,000	1,192,778
2025	2,995,000	1,091,355
2026	3,015,000	964,907
2027	3,045,000	858,089
2028-2032	15,975,000	2,759,948
2033-2037	9,880,000	639,761
2038-2042	380,000	11,725
Total	<u>\$ 41,520,000</u>	<u>\$ 8,810,044</u>

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Financed Equipment

The City of Williston Acquired an Enforcer Pumper from Pierce Manufacturing under the provisions of a Financed Purchase Agreement. For Financial reporting purposes, the total amount financed related to the vehicle has been capitalized. The purchased property under the agreement as of December 31, 2022 has a cost of \$973,540, accumulated depreciation of \$0. The anticipated delivery date of the vehicle is May 2025, depreciation of the property will be included in depreciation expense in future years.

Debt service requirements to maturity on the Financed Purchase agreement are summarized below:

Year Ending December 31, _____	Governmental Activities	
	Principal	Interest
2023	\$ 77,473	\$ 48,482
2024	81,331	44,624
2025	85,382	40,573
2026	89,634	36,321
2027	94,097	31,858
2028-2032	545,623	84,152
Total	<u>\$ 973,540</u>	<u>\$ 286,010</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, 2022.

NOTE 9 CONDUIT DEBT

Municipal Industrial Development Bonds

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

As of December 31, 2022, there were four series of MIDA Bonds outstanding. The aggregate principal amount payable for the series could not be determined; however, their original issue amounts totaled \$56,879,624.

NOTE 10 CLOSURE AND POST CLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its landfill site when closed and to perform certain maintenance and monitoring functions at the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post closure care costs is based on the amount of the

CITY OF WILLISTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

landfill used during the year. The estimated liability for landfill closure and post closure care costs has a balance of \$1,162,708 at December 31, 2022, which is based on usage (filled) of the landfill. The estimated total current cost of the landfill closure and post closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2022. However, the actual cost of closure and post closure care may be higher due to inflation, changes to technology, or changes in landfill laws and regulations.

NOTE 11 DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

North Dakota Public Employees' Retirement System

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was to be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the

CITY OF WILLISTON
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DECEMBER 31, 2022

last 180 months of service, for each year of service. For members first enrolled in the plan after December 31, 2019, the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Employer contribution rates increase by 1% beginning January 1, 2024. Contribution rates for the Law Enforcement System are established as follows:

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

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

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

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

At December 31, 2022, the City reported a liability of \$45,039,905 for its proportionate share of the net pension liability. The net pension liability consisted of \$31,597,038 to the Main System pension plan and \$13,442,867 to the Law Enforcement pension plan. The net pension liability was measured as of June 30, 2022, 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 June 30, 2022, the City's proportion was 1.10% which was a decrease of 0.09% for the Main System and 16.37% which was a decrease of 0.48% for the Law Enforcement plan.

For the year ended December 31, 2022, the City recognized pension expense of \$3,960,082 for the Main System plan and \$3,105,381 for the Law Enforcement plan for a total pension expense of \$7,065,463. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the Main System Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 164,820	\$ 603,558
Changes in actuarial assumptions	18,895,492	11,714,159
Difference between projected and actual investment earnings	1,156,444	-
Changes in proportion	1,169,773	1,522,543
Contributions paid to NDPERS subsequent to the measurement date	580,124	-
Total	<u>\$ 21,966,653</u>	<u>\$ 13,840,260</u>

For the Main System plan, \$580,124 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

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

<u>Year ending December 31</u>	<u>Pension Expense Amount</u>
2023	\$ 2,164,645
2024	2,628,307
2025	37,562
2026	2,715,755

For the Law Enforcement Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 4,298,737	\$ 77,063
Changes in actuarial assumptions	11,476,438	7,654,095
Difference between projected and actual investment earnings	914,227	-
Changes in proportion	376,090	979,278
Contributions paid to NDPERS subsequent to the measurement date	572,625	-
Total	<u>\$ 17,638,117</u>	<u>\$ 8,710,436</u>

For the Law Enforcement plan, \$572,625 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

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

<u>Year ending December 31</u>	<u>Pension Expense Amount</u>
2023	\$ 1,989,230
2024	1,798,897
2025	2,010,956
2026	1,239,373
2027	745,645
Thereafter	570,955

Actuarial Assumptions

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions for the Main System Plan and Law Enforcement Plan, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Investment rate of return 5.10%, net of investment expenses

Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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	30.00%	5.75%
International Equity	21.00%	6.45%
Private Equity	7.00%	9.20%
Domestic Fixed Income	23.00%	0.34%
Global Real Assets	19.00%	4.35%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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 5.10 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 (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease (4.10%)	Discount Rate (5.10%)	1% Increase (6.10%)
City's proportionate share of the Main System NDPERS net pension liability:	\$ 41,705,916	\$ 31,597,038	\$ 23,297,998
City's proportionate share of the Law Enforcement NDPERS net pension liability:	\$ 19,642,728	\$ 13,442,867	\$ 8,536,499

Pension Plan Fiduciary Net Position

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

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS

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

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

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

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is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At December 31, 2022, the City reported a liability of \$2,388,320 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2022, the City's proportion was 1.99%, which was an increase of 0.01% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2022, the City recognized OPEB expense of \$449,516. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 56,620	\$ 20,538
Changes of assumptions	601,590	-
Net difference between projected and actual earnings on OPEB plan investments	321,579	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	147,353	2,312
Employer contributions subsequent to the measurement date	<u>149,211</u>	<u>-</u>
Total	<u>\$ 1,276,353</u>	<u>\$ 22,850</u>

CITY OF WILLISTON
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\$149,211 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

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

Year ending December 31:	<u>OPEB Expense Amount</u>
2023	\$ 302,399
2024	284,865
2025	240,290
2026	276,738

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Mortality Pub-2010 Healthy Retiree Mortality Table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	Long-Term Expected Real
		<u>Rate of Return</u>
Broad US Equity	39.00%	5.75%
International Equities	26.00%	6.00%
Core-Plus Fixed Income	35.00%	0.22%

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Discount Rate

The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2022 actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>4.39%</u>	<u>5.39%</u>	<u>6.39%</u>
Employer's proportionate share of the net OPEB liability	<u>\$ 3,048,546</u>	<u>\$ 2,388,320</u>	<u>\$ 1,834,077</u>

NOTE 13 DEFERRED COMPENSATION PLAN

The City offers its employees a retirement plan under deferred compensation plans created in accordance with Internal Revenue Code Section 457. The main provider of these plans is through Nationwide Retirement Solutions. For those employees who opted not to join North Dakota Public Employees' Retirement Systems (NDPERS) when the City switched to NDPERS in 2004, the City contributes 6% of employee's salaries into the plan. The City's contribution to the plan for the year ended December 31, 2022 was \$11,820, equal to the required contributions for the year. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

NOTE 14 RISK MANAGEMENT

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

In 1986, the state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$10,000,000 per occurrence for general liability, \$10,000,000 per occurrence for automobile liability coverage and approximately \$12.6 million for inland marine coverage.

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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 approximately \$336 million with specific special limits varying from \$1,700 to \$82,000,000.

Commercial insurance is also purchased for airport general liability and fraud and theft 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 100% of the cost of the plan.

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

NOTE 15 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2022 is as follows:

Receivable	Payable	Amount
General Fund	Capital Projects Fund	\$ 4,670,977
General Fund	2016 Refunding Improvement Fund	1,046,629
General Fund	Water Fund	1,000,000
		<u>\$ 6,717,606</u>

A 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, 2022 is \$129,648.

Noninterest loans were made from the General Fund to the Job Creation fund in 2021 and 2022 for \$540,000 and \$160,367, respectively. Annual payments of \$148,092 are due through January 1, 2026. The balance at December 31, 2022 is \$592,367.

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2022:

	Transfer In	Transfer Out
General Fund	\$ 33,450,782	\$ 57,019,493
Sales Tax Fund	3,879,279	12,313,686
Public Safety Sales Tax Fund	3,563,000	24,897,884
Capital Projects Fund	30,587,603	16,147,720
Sewer Fund	8,627,125	-
Nonmajor Funds	43,930,163	13,659,169
	<u>\$ 124,037,952</u>	<u>\$ 124,037,952</u>

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

NOTE 16 FUND BALANCE

A. Classifications

At December 31, 2022, a summary of the governmental fund balance classifications are as follows:

	General	Sales Tax	Public Safety Sales Tax	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:					
Urban and economic development	\$ -	\$ 6,997,409	\$ -	\$ 5,819,499	\$ 12,816,908
Culture and recreation	-	-	-	781,689	781,689
Public safety	7,716,021	-	16,112,174	6,147,422	29,975,617
Public works	50,100	-	-	-	50,100
Airport	4,470,283	-	-	8,853	4,479,136
Health and welfare	-	-	-	467,429	467,429
Capital projects	577,608	-	-	825,365	1,402,973
Debt service	6,352,135	-	-	47,788,859	54,140,994
Total Restricted	<u>\$ 19,166,147</u>	<u>\$ 6,997,409</u>	<u>\$ 16,112,174</u>	<u>\$ 61,839,116</u>	<u>\$ 104,114,846</u>
Assigned for:					
General government	\$ -	\$ -	\$ -	\$ 3,981,123	\$ 3,981,123
Culture and Recreation	32,975	-	-	-	32,975
Economic Development	190,511	-	-	-	190,511
Total Assigned	<u>\$ 223,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,981,123</u>	<u>\$ 4,204,609</u>

B. Minimum Fund Balance Policy

The City has not formally adopted a fund balance policy.

NOTE 17 JOINTLY GOVERNED ORGANIZATIONS

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

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,

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establishing and implementing purchasing and administrative policies, programs and other operational matters. Under the agreement, the City is entitled to reimbursement for costs identified in the agreement and in accordance with an approved budget. WAWSA will bear the risk of loss to the infrastructure. The agreement is in effect until the earlier of: (i) repayment of all WAWSA debt or ii) 99 years after the effective date of the agreement.

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

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

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

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

During 2022, under the above agreements, the City received \$305,328 for sales of water to Western Area Water Supply Authority. Other reimbursements from WAWSA included principal debt payment reimbursements of \$1,225,000, interest and administrative fee reimbursements of \$168,388, operations and maintenance reimbursements of \$4,430,398 and capital expenditure reimbursements of \$1,387,984. The City also purchased water from WAWSA for a total of \$3,166,500.

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The deferred inflow of resources from WAWSA consists of the following items for the year ended December 31, 2022:

Debt reimbursement receivable as of December 31	\$ 4,592,083
Principal debt payment reimbursements	14,052,917
Accumulated capital expenditure reimbursements	66,325,960
Amortization	<u>(6,991,490)</u>
Deferred inflow of resources from WAWSA	<u>\$ 77,979,470</u>

NOTE 18 COST SHARED INFRASTRUCTURE

The City has entered into multiple agreements with Western Area Water Supply Authority to facilitate the development of water distribution infrastructure within the City's borders. Under the agreements, the City has agreed to re-pay a portion of the capital invested in the infrastructure over 20 to 30 years. In exchange, the City has the right to use the infrastructure installed over the period of the loan. As a result, upon entering into the agreements, the City has recognized right of use assets of \$9,887,985, and an offsetting liability on cost shared infrastructure for the same amount.

The right of use assets recognized under the agreements are being amortized over 20 to 30 years. The amortization expense recognized during the year ended December 31, 2022 was \$439,111. Accumulated amortization and net book value of this asset was \$2,121,894 and \$7,756,091 respectively, as of December 31, 2022.

The liability on the cost shared infrastructure is being repaid over 20 to 30 years at an interest rate of 1.50%. The liability requires varying monthly payments maturing January 2036 to September 2046. Expected future payments are as follows:

2023	442,946
2024	448,868
2025	376,325
2026	382,303
2027	389,760
2028-2032	2,054,693
2033-2037	1,821,565
2038-2042	1,107,522
2043-2047	<u>779,397</u>
	<u>\$ 7,803,379</u>

NOTE 19 NEW PRONOUNCEMENTS

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP

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asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.

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- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires

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that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 20 SUBSEQUENT EVENTS

Department of Transportation Williston 26th Street & 2ND Ave Intersection Project

The project is now anticipated to be primarily funded by the NDDOT with an unknown cost share between the City of Williston. Commencement of project and value is undetermined currently as agreements and construction schedules are pending review and final approval.

Airport Air Carrier Minimum Guarantee – Delta SkyWest \$1,488,955

SkyWest Airlines approached the airport in April 2023 to discuss their interest in continuing flights to Minneapolis in a partnership with Delta Air Lines. They have asked the City to continue mitigating the potential financial impacts associated with this flight. This type of agreement is common in the airline industry. This agreement term is from June 1 – December 31, 2023. It provides that SkyWest will operate two daily round trip flights on a CRJ-200 (50 Seat) on Monday through Friday and one daily round trip flight on Saturday and Sunday in June and increase the aircraft size to a CRJ-900 (76 seat) beginning on July 1 through the end of the term. At the end of each three-month period during the term of this agreement, SkyWest will provide a report detailing actual revenue and costs for this operation. If the passenger revenue is greater than the actual operating costs, no amount will be owed to SkyWest by the City. In the event the costs are higher than revenue, the difference will be paid to SkyWest on a quarterly basis, up to a maximum of \$1,488,955.

The agreement allows for the City or SkyWest to cancel this agreement for any reason with 90-day notice. Our most recent agreement was for a total of \$2,952,861 of which we paid out \$1,030,410.63. That agreement term was June 1, 2022 – May 31, 2023. There are several reasons operational expenses contained within the estimated shortfall have increased. The main factors are the increased “dry” costs (workforce wage increases, maintenance cost increases, etc.) for larger aircraft from \$2,350/flight hour to \$4,158/flight hour and the increase in fuel costs from \$1,100/hour to 1,830/hour. SkyWest and the City will continue to evaluate the travel demand for this route into the future and will address any service increase or decrease needs throughout the life of this agreement.

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Red Rock Ford Building Sale

The City of Williston advertised a Request for Proposal for the Red Rock Ford Building in November 2022. The City of Williston sold the Red Rock Ford Building to Scully Design Build, Inc. encompassing Lots 12, 13, 14, 15, 16, and 17 in Block 9, Original Townsite to the City of Williston, Williams County, North Dakota Parcel ID# 01-001-00-00-16-800. Through the Commercial Real Estate Agreement, the building was sold in the purchase price amount of \$325,000 with an earnest money provision of \$15,000 and a closing date no later than December 8, 2023.

Notice of Conversion \$18,255,000 Airport Revenue Refunding Note City Infrastructure Sales Tax Series 2022, Cinderella Bond from Taxable to Tax Exempt

Pursuant to the Resolution, the City of Williston ("Issuer") maintained the ability to convert the Note into a tax-exempt obligation as permitted by the Internal Revenue Code of 1986.

In accordance with Section 5.01 of the Resolution, Section 8 of the Purchase and Loan Agreement, and the Note, the City of Williston is hereby providing a notice of conversion of the interest rate on the Note from the initial taxable rate (4.75%) to the tax-exempt rate (3.75%) to satisfy the Bond Purchase Agreement with Truist Bank. The conversion, referred to as a Cinderella issue causing the tax status to go from taxable to tax exempt, was part of the original transaction and the conversion is as planned. The reduction in the interest rate was part of the original debt service savings solution and the impetus for completing the issue. The City annual debt service savings generated by this issue will average \$53,988 annually.

Termination of Upper Missouri River Regional Dispatch Center (UMRRDC) and dispatch operations transitioned to Williams County

Made effective on September 1, 2023, the shared dispatch center via Joint Powers Agreement (JPA) between the City Williston and Williams County dissolved, transferring the entirety of all assets, exclusive control, supervision, managements, and operations solely under Williams County. The City of Williston donated its building, fence, and generators to Williams County and all UMMRDC employees transitioned under Williams County.

Resolution 23-035 Refunding Improvement Bond Series 2023

Through the issuance of Series 2023 Refunding Improvement Bond, the City of Williston has the opportunity to finance infrastructure projects in the assessed districts. The proposed Parameters Resolution authorizes the issuance of the improvement warrants in the amounts not to exceed \$1,400,000 for Series 2023. Proceeds will be used to reimburse the City for the cost of public improvements and pay for the cost of issuance for the following two districts:

- D20-02 (Capital Project Fund 4188)- \$957,084.24 – WSS202 – Water, Sewer & Street
- D21-3 (Capital Project Fund 4209)- \$242,431.06 – WS213 – Water & Sewer Improvement

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SOURCES OF FUNDS

Estimated Par Amount of Series	
2023 Bonds	\$1,270,000
[Net] Original Issue	
[Premium/Discount]	
Total Sources of Funds	<u>\$1,270,000</u>

USES OF FUNDS

Construction Fund	\$1,199,515
Costs of Issuance	70,485
Total Uses of Funds	<u>\$1,270,000</u>

Interest Rate: Not to exceed 5.75%

Cost of issuance includes legal fees, printing, rating agency fees, underwriter's fee, paying agents fees, escrow, and other miscellaneous issuance costs. The City will issue special assessment improvement warrants to pay for the Improvements in the Districts (the "Warrants") and has levied special assessments against the benefitted property in the Districts to pay for such Warrants.

Colliers Securities is serving as the "Underwriter" for the Refunding Improvement Bonds, Series Bond Series 2023 issue. The Underwriter will use the Preliminary Official Statement to market the bond issue to investor. The Underwriter will present the City with a proposed final bond solution for formal award. Final numbers will be set following execution of the Bond Purchase Agreement and will be effective as of closing tentatively scheduled for October 2, 2023 subject to market.

Other than the events noted above, there were no significant events that occurred subsequent to the City's year end. Subsequent events have been evaluated through September 28, 2023, which is the date these financial statements were available to be issued.

CITY OF WILLISTON
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN YEARS

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
Main System:					
2022	\$ 1,079,579	\$ 1,079,579	\$ -	\$ 13,069,964	8.26%
2021	1,075,956	1,075,956	-	13,026,102	8.26%
2020	1,061,998	1,061,998	-	13,275,009	8.00%
2019	818,938	818,938	-	11,468,713	7.14%
2018	787,595	810,624	(23,029)	10,693,136	7.58%
2017	881,416	881,416	-	12,379,445	7.12%
2016	582,181	582,181	-	8,176,703	7.12%
2015	742,926	742,926	-	10,434,350	7.12%
Law Enforcement:					
2022	\$ 1,068,757	\$ 1,068,757	\$ -	\$ 10,894,567	9.81%
2021	1,034,099	1,034,099	-	10,541,274	9.81%
2020	1,073,623	1,073,623	-	10,944,169	9.81%
2019	756,300	756,300	-	7,951,913	9.51%
2018	640,757	619,402	21,355	6,965,475	8.89%
2017	431,106	431,106	-	4,394,554	9.81%
2016	159,271	159,271	-	1,623,553	9.81%
2015	266,802	266,802	-	2,719,693	9.81%

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

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

See Notes to the Required Supplementary Information

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

Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Main System:					
2022	1.0971%	\$ 31,597,038	\$ 12,735,473	248.10%	54.47%
2021	1.1856%	12,356,994	13,425,058	92.04%	78.26%
2020	1.0823%	34,071,129	11,946,701	285.19%	48.91%
2019	1.1026%	12,923,034	11,468,713	112.68%	71.66%
2018	1.0409%	17,565,985	10,693,136	164.27%	62.80%
2017	1.2647%	20,327,606	12,910,430	157.45%	61.98%
2016	1.1451%	11,160,944	11,540,763	96.71%	70.46%
2015	0.9433%	6,414,177	8,403,527	76.33%	77.15%
Law Enforcement:					
2022	16.3744%	\$ 13,442,867	\$ 10,601,779	126.80%	57.48%
2021	16.8586%	2,793,729	10,373,704	26.93%	87.10%
2020	21.7128%	14,232,305	9,854,117	144.43%	53.12%
2019	19.7357%	2,347,140	7,951,913	29.52%	71.66%
2018	20.1775%	4,702,203	6,965,475	67.51%	62.80%
2017	10.8515%	2,389,079	3,121,498	76.54%	61.98%
2016	11.2730%	1,291,717	3,181,919	40.60%	70.46%
2015	15.1115%	918,100	2,079,158	44.16%	83.61%

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

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

See Notes to the Required Supplementary Information

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

Year Ended	Statutorily Required	Contributions in Relation	Contribution		Contributions as a
December 31	Contribution	to the Statutorily Required	Deficiency (Excess)	City's Covered Payroll	Percentage of Covered
		Contributions			Payroll
2022	\$ 278,038	\$ (278,038)	\$ -	\$ 24,389,298	1.14%
2021	272,910	(272,910)	-	23,939,474	1.14%
2020	276,099	(276,099)	-	24,219,183	1.14%
2019	225,863	(219,009)	6,854	19,420,626	1.16%
2018	207,126	(201,769)	5,357	17,658,611	1.17%
2017	186,360	(195,651)	(9,291)	16,031,928	1.16%

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

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

See Notes to the Required Supplementary Information

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

Year Ended June 30	City's Proportion of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	City's Covered Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2022	1.989753%	\$ 2,388,320	\$ 20,542,313	11.63%	56.28%
2021	1.983022%	1,102,903	21,620,054	5.10%	76.63%
2020	1.854196%	1,559,745	21,137,284	7.38%	63.38%
2019	1.740422%	1,397,886	19,420,626	7.20%	63.13%
2018	1.613813%	1,270,988	17,658,611	7.20%	61.89%
2017	1.481912%	1,172,208	16,031,928	7.31%	59.78%

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

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

See Notes to the Required Supplementary Information

CITY OF WILLISTON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF DECEMBER 31, 2022

NOTE 1. DEFINED BENEFIT PLANS

Changes of benefit terms.

The interest rate earned on member contributions will decrease from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System and Public Safety members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

Changes of assumptions.

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

NOTE 2. OTHER POST EMPLOYMENT BENEFITS

Changes of benefit terms.

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

Changes of assumptions.

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities each major fund, and the aggregate remaining fund information of the City of Williston as of and for the year ended December 31, 2022, 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 28, 2023. See the Independent Auditor's Report for modifications on various opinion units as contributed capital assets, conduit debt obligations, and leases have not been properly recorded and disclosed.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Williston's internal control over financial reporting (internal control) as a basis for designing 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, 2022-003, and 2022-004 to be material weaknesses.

Report on 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 financial statements. 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

Government Auditing Standards requires the auditor to perform limited procedures on the City of Williston's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Williston's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 28, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Williston, North Dakota's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of City of Williston, North Dakota's major federal programs for the year ended December 31, 2022. City of Williston, North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Williston, North Dakota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Williston, North Dakota and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Williston, North Dakota's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Williston, North Dakota's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Williston, North Dakota's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Williston, North Dakota's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Williston, North Dakota's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Williston, North Dakota's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Williston, North Dakota's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-005. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on City of Williston, North Dakota's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. City of Williston, North Dakota's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-005 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on City of Williston, North Dakota's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. City of Williston, North Dakota's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

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

September 28, 2023

CITY OF WILLISTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Program or Cluster Title	Federal AL Number	Pass-through Grantor Identifying Number	Passed Through to Subrecipients	Amount
<u>U.S. Department of Agriculture</u>				
Direct Program:				
Community Facilities Loans and Grants Cluster	10.766		\$ -	\$ 111,278,905
Passed through North Dakota State University				
Cooperative Forestry Assistance	10.664	2022S-ATB-TP014	-	8,325
Total U.S. Department of Agriculture			-	111,287,230
<u>U.S. Department of Justice</u>				
Passed through ND Department of Attorney General				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	21206	8,008	8,008
Total United States Department of Justice			8,008	8,008
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Airport Improvement Program	20.106		-	3,238,990
Passed through North Dakota Department of Transportation				
State and Community Highway Safety	20.600	PHSPSC2207-04-27	-	939
National Priority Safety Programs	20.616	PHSPOP2205-05-24	-	1,474
National Priority Safety Programs	20.616	PHSPOP2305-05-22	-	462
National Priority Safety Programs	20.616	PHSPID2210-02-21	-	2,050
Total Highway Safety Cluster			-	4,925
Total U.S. Department of Transportation			-	3,243,915
<u>U.S. Department of Homeland Security</u>				
Passed through North Dakota Department of Emergency Services				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4613-DR	-	1,174,291
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4660-DR	-	171,858
Homeland Security Grant Program	97.067	EMW-2020-SS-00073	-	74,098
Total U.S. Department of Homeland Security			-	1,420,247
<u>U.S. Department of Housing and Urban Development</u>				
Passed through ND Division of Community Services				
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	4791-CD171920-H	60,747	60,747
Total U.S. Department of Housing and Urban Development			60,747	60,747
<u>U.S. Department of the Treasury</u>				
Passed through ND Office of State Treasurer				
COVID-19 American Rescue Plan Act (ARPA) Coronavirus State & Local Fiscal Recovery Funds	21.027	n/a	-	2,295,186
Total U.S. Department of the Treasury			-	2,295,186
Total Expenditures of Federal Awards			\$ 68,755	\$ 118,315,333

See Notes to the Schedule of Expenditures of Federal Awards

CITY OF WILLISTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF DECEMBER 31, 2022

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedule of expenditures of federal awards (the Schedule) are reported under the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of the City of Williston, North Dakota under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Williston, North Dakota.

NOTE 4 SUBRECIPIENTS

During 2022, the City passed federal money to the following subrecipients:

Williston Housing Authority	\$ 60,747
Family Crisis Shelter	8,008

NOTE 5 OUTSTANDING LOAN

The City has three outstanding federal loans as of December 31, 2022:

AL Number	Origination Date	Origination Amount	Funding Source	Maturity	Loan Balance
10.766	10/16/19	\$ 2,982,741	Department of Agriculture	10/16/2037	\$ 1,781,031
10.766	11/19/20	19,000,000	Department of Agriculture	11/19/2050	18,251,841
10.766	11/19/20	95,000,000	Department of Agriculture	11/19/2055	91,246,033

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF DECEMBER 31, 2022

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Governmental Activities	<u>Qualified</u>
Business-Type Activities	<u>Qualified</u>
General Fund	<u>Qualified</u>
Sales Tax Fund	<u>Unmodified</u>
Public Safety Sales Tax Fund	<u>Unmodified</u>
2016 Refunding Improvement Bond	<u>Unmodified</u>
Capital Projects	<u>Unmodified</u>
Water Fund	<u>Qualified</u>
Sewer Fund	<u>Qualified</u>
Aggregate Remaining Fund Information	<u>Qualified</u>

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> 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?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </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)?

 X yes no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants Cluster
20.106	Airport Improvement Program
21.027	Coronavirus State and Local Fiscal Recovery Funds
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 yes X no

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2022

Section II – Financial Statement Findings

2022-001 ADJUSTING JOURNAL ENTRIES

Criteria

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

Condition

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

Cause

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

Effect

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

Repeat Finding

Yes

Recommendation

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

Views of Responsible Officials

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

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2022

2022-002 FINANCIAL STATEMENT PREPARATION

Criteria

An appropriate system of internal controls requires the City to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

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 currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The City elected to not allocate resources for the preparation of the financial statements.

Effect

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

Repeat Finding

Yes

Recommendation

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

Views of Responsible Officials

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

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2022

2022-003 CAPITAL ASSETS NOT REPORTED

Condition

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

Criteria

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

Cause

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

Effect

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

Repeat Finding

Yes

Recommendation

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

Views of Responsible Officials

The City agrees with the recommendation. A requirement to provide costs for donated capital assets has been added to the development agreement for the future.

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2022

2022-004 CONDUIT DEBT

Condition

The City of Williston is not reporting the outstanding balances of its conduit debt obligations as of December 31, 2022.

Criteria

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

Cause

Management was aware of its obligation to report conduit debt obligations outstanding at the balance sheet date but was unable to obtain records for conduit debt obligations outstanding at the balance sheet date.

Effect

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

Repeat Finding

Yes

Recommendation

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

Views of Responsible Officials

The City agrees with the recommendation. Thus far, the City has been unsuccessful in its attempts to obtain records to prepare the required footnote disclosures.

CITY OF WILLISTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
AS OF DECEMBER 31, 2022

Section III – Federal Award Findings and Questioned Costs

2022-005 REPORTING

Federal Program

AL# 20.106: Airport Improvement Program

Criteria

The Uniform Guidance requires program reports to be filed accurately.

Condition

We tested four SF-425 reports and noted one with amounts reported that did not agree with supporting documentation.

Cause

Management oversight.

Effect

The City was not in compliance with program reporting requirements.

Question Costs

None

Repeat Finding

No

Recommendation

The City should implement policies and procedures to ensure accurate reports are submitted to the FAA.

Views of Responsible Officials

The City agrees with the recommendation. Management will make a greater effort to review reports prepared by consultants.

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AS OF DECEMBER 31, 2022

2021-001 ADJUSTING JOURNAL ENTRIES

Criteria

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

Condition

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

Cause

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

Effect

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

Repeat Finding

Yes

Recommendation

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

Corrective Action Taken

See 2022-001

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
AS OF DECEMBER 31, 2022

2021-002 FINANCIAL STATEMENT PREPARATION

Criteria

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

Condition

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

Cause

The City elected to have the auditors assist in the preparation of the financial statements for efficiency.

Effect

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

Repeat Finding

Yes.

Recommendation

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

Corrective Action Taken

See 2022-002

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
AS OF DECEMBER 31, 2022

2021-003 CAPITAL ASSETS NOT REPORTED

Condition

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

Criteria

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

Cause

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

Effect

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

Repeat Finding

Yes

Recommendation

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

Corrective Action Taken

See 2022-003

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
AS OF DECEMBER 31, 2022

2021-004 CONDUIT DEBT

Condition

The City of Williston is not reporting the outstanding balances of its conduit debt obligations as of December 31, 2021.

Criteria

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

Cause

Management was aware of its obligation to report conduit debt obligations outstanding at the balance sheet date but was unable to obtain records for conduit debt obligations outstanding at the balance sheet date.

Effect

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

Repeat Finding

Yes

Recommendation

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

Corrective Action Taken

See 2022-004

CITY OF WILLISTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
AS OF DECEMBER 31, 2022

2021-005 REPORTING

Federal Program

AL# 20.106: Airport Improvement Program

Criteria

The Uniform Guidance deems FAA Form 5100-126, Financial Government Payment Report, a direct and material report that is required to be submitted.

Condition

The City did not prepare or submit the above report in 2021.

Questioned Costs

None

Cause

The City did not have appropriate internal controls in place to ensure all required reports were prepared and submitted.

Effect

The City was not in compliance with program reporting requirements.

Repeat Finding

No

Recommendation

The City should implement policies and procedures to ensure all required reports are submitted to the FAA.

Views of Responsible Officials

The City agrees with the recommendation.

Corrective Action Taken

No current year finding

**CORRECTIVE ACTION PLAN
AS OF DECEMBER 31, 2022**

2022-001 FINDING

Contact Person – Hercules Cummings, Finance Director

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

Completion Date – Ongoing.

2022-002 FINDING

Contact Person – Hercules Cummings, Finance Director

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

Completion Date – Ongoing.

2022-003 FINDING

Contact Person – Hercules Cummings, Finance Director

Corrective Action Plan – Developers have occasionally been unwilling to provide infrastructure cost data since they felt this would supply competition with their numbers. When this occurred, City engineering staff would provide estimates based on recent bid prices in place of actual costs. The City will continue to work with developers to collect these infrastructure costs where possible, though estimates may represent some of the cost totals when actual costs cannot be collected.

Completion Date – Ongoing.

2022-004 FINDING

Contact Person – Hercules Cummings, Finance Director

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

Completion Date – Ongoing.

2022-005 FINDING

Contact Person – Hercules Cummings, Finance Director

Corrective Action Plan – Management will make a greater effort to review reports prepared by consultants.

Completion Date – December 31, 2023