

***CITY OF WILTON***

AUDIT REPORT

December 31, 2014

CITY OF WILTON  
WILTON, NORTH DAKOTA  
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For The Year Ended December 31, 2014

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**CITY OF WILTON**  
**LIST OF OFFICIALS**  
**December 31, 2014**

President of Commission	Ron Peck
Commissioner	LeeAnn Domonoske-Kellar
Commissioner	Dave Herner
Commissioner	Joan Kruckenberg
Commissioner	Joel Middaugh
Auditor	Pattie Solberg

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Wilton  
Wilton, North Dakota

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilton, North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### **Basis for Qualified Opinion on Governmental and Business-Type Activities and Proprietary Funds**

Management has not maintained a complete list of capital assets for the governmental and business-type activities and proprietary funds prior to 2007 and, accordingly, there may be assets and their related depreciation expense that have not been recorded. Generally accepted accounting principles require that those assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental and business-type activities and proprietary funds. The amount by which this departure would affect the assets, net position, and expenses of the governmental and business-type activities, and proprietary funds has not been determined.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental and Business-Type Activities and Proprietary Funds” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental and business-type activities and proprietary funds of the City of Wilton, North Dakota, as of December 31, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the City of Wilton, North Dakota, as of December 31, 2014, 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.

### **Other Matters**

#### *Required Supplementary Information*

A comprehensive basis of accounting other than accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 24 through 27 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.

## INDEPENDENT AUDITOR'S REPORT

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2020, on our consideration of the City of Wilton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wilton's internal control over financial reporting and compliance.

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
January 20, 2020

City of Wilton  
Statement of Net Position  
December 31, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 968,948	\$ 168,681	\$ 1,137,629
Investments	95,850	95,625	191,475
Taxes Receivable, Net	192,474	-	192,474
Special Assessments Receivable, Net	32,620	-	32,620
Accounts Receivable	207	32,479	32,686
Prepaid Interest	25,586	-	25,586
Due from County Treasurer	17,690	-	17,690
Due from Other Funds	13,615	-	13,615
Capital Assets:			
Vehicles	-	14,000	14,000
Equipment	98,456	-	98,456
Infrastructure	2,027,804	144,711	2,172,515
Accumulated Depreciation	(411,511)	(41,135)	(452,646)
Total Capital Assets	<u>1,714,749</u>	<u>117,576</u>	<u>1,832,325</u>
<b>TOTAL ASSETS</b>	<b>3,061,739</b>	<b>414,361</b>	<b>3,476,100</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	4,474	-	4,474
Due to General Fund	-	13,615	13,615
<b>Long-Term Liabilities:</b>			
<b>Portion Due or Payable within One Year</b>			
Compensated Absences Payable	7,159	-	7,159
Capital Lease Payable	11,484	-	11,484
Bonds Payable	155,000	5,000	160,000
<b>Portion Due or Payable after One Year</b>			
Capital Lease Payable	24,685	-	24,685
Bonds Payable	<u>1,815,000</u>	<u>105,000</u>	<u>1,920,000</u>
<b>Total Liabilities</b>	<u>2,017,802</u>	<u>123,615</u>	<u>2,141,417</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	(291,420)	117,576	(173,844)
<b>Restricted for:</b>			
Debt Service	632,368	-	632,368
Special Projects	379,808	-	379,808
Unrestricted	<u>323,181</u>	<u>173,170</u>	<u>496,351</u>
<b>Total Net Position</b>	<u>\$ 1,043,937</u>	<u>\$ 290,746</u>	<u>\$ 1,334,683</u>

City of Wilton  
Statement of Activities  
For the year ended December 31, 2014

	Net (Expense) Revenue & Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<u>Functions/Programs</u>							
<u>Primary Governments</u>							
<u>Governmental Activities</u>							
General Government	\$ 229,711	\$ 18,203	\$ 196,157	\$ -	\$ (15,351)		\$ (15,351)
Public Safety	66,691	-	-	-	(66,691)		(66,691)
Public Works	144,990	-	67,371	-	(77,619)		(77,619)
Culture and Recreation	52,000	-	-	-	(52,000)		(52,000)
Bond Issuance Costs	10,223	-	-	-	(10,223)		(10,223)
Bond Discount	18,375	-	-	-	(18,375)		(18,375)
Interest & Fees on Long-Term Debt	106,427	-	-	-	(106,427)		(106,427)
<b>Total Governmental Activities</b>	<b>628,417</b>	<b>18,203</b>	<b>263,528</b>	<b>-</b>	<b>(346,686)</b>		<b>(346,686)</b>
<u>Business-type Activities</u>							
Water and Sewer Operating	236,782	256,493	-	-	-	\$ 19,711	19,711
Garbage Operating	73,271	89,042	-	-	-	15,771	15,771
<b>Total Business-type Activities</b>	<b>310,053</b>	<b>345,535</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,482</b>	<b>35,482</b>
<b>Total Primary Government</b>	<b>\$ 938,470</b>	<b>\$ 363,738</b>	<b>\$ 263,528</b>	<b>\$ -</b>	<b>(346,686)</b>	<b>35,482</b>	<b>(311,204)</b>
<u>General Revenues:</u>							
<u>Taxes:</u>							
Property Taxes, Levied for General Purpose					73,683	-	73,683
Property Taxes, Levied for Special Purpose					322,122	-	322,122
Cigarette Taxes					2,344	-	2,344
Earnings on Investments					7,917	3,715	11,632
Other Revenues					15,525	112	15,637
Transfers In (Out)					(11,293)	11,293	-
<b>Total General Revenues</b>					<b>410,298</b>	<b>15,120</b>	<b>425,418</b>
<b>Change in Net Position</b>					<b>63,612</b>	<b>50,602</b>	<b>114,214</b>
Net Position - Beginning of Year					980,325	203,906	1,184,231
Prior Period Adjustment					-	36,238	36,238
Net Position - Beginning of Year as adjusted					980,325	240,144	1,220,469
Net Position - End of Year					<b>\$ 1,043,937</b>	<b>\$ 290,746</b>	<b>\$ 1,334,683</b>



City of Wilton  
Balance Sheet - Governmental Funds  
December 31, 2014

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	Sales Tax	Street Improvement Fund: 2013	Street Improvement Fund: 2014	Highway Fund		
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>							
Assets:							
Cash and Cash Equivalents	\$ 241,449	\$ 272,496	\$ 110,207	\$ 258,410	\$ 22,800	\$ 63,586	\$ 968,948
Investments	15,850	-	80,000	-	-	-	95,850
Special Assessment Receivable, Net	-	-	15,641	16,979	-	-	32,620
Accounts Receivable	207	-	-	-	-	-	207
Due from County Treasurer	13,294	-	-	-	-	4,396	17,690
Due from Other Funds	13,615	-	107	691	-	60	14,473
Taxes Receivable, Net	51,257	-	63,887	60,860	-	16,470	192,474
<b>Total Assets</b>	<b>335,672</b>	<b>272,496</b>	<b>269,842</b>	<b>336,940</b>	<b>22,800</b>	<b>84,512</b>	<b>1,322,262</b>
Deferred Outflows of Resources:							
Deferred Interest from Advance Refunding of Debt	-	-	-	25,586	-	-	25,586
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 335,672</b>	<b>\$ 272,496</b>	<b>\$ 269,842</b>	<b>\$ 362,526</b>	<b>\$ 22,800</b>	<b>\$ 84,512</b>	<b>\$ 1,347,848</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Liabilities:							
Accounts Payable	\$ 4,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,474
Due to Other Funds	858	-	-	-	-	-	858
<b>Total Liabilities</b>	<b>5,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,332</b>
Deferred Inflows of Resources:							
Deferred Revenue	51,257	-	63,887	60,860	-	16,470	192,474
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>56,589</b>	<b>-</b>	<b>63,887</b>	<b>60,860</b>	<b>-</b>	<b>16,470</b>	<b>197,806</b>
Fund Balances:							
Nonspendable	-	-	-	25,586	-	-	25,586
Restricted for:							
Debt Service	-	-	205,955	276,080	-	-	482,035
Special Revenue Funds	-	-	-	-	22,800	60,096	82,896
Assigned	-	272,496	-	-	-	7,946	280,442
Unassigned	279,083	-	-	-	-	-	279,083
<b>Total Fund Balances</b>	<b>279,083</b>	<b>272,496</b>	<b>205,955</b>	<b>301,666</b>	<b>22,800</b>	<b>68,042</b>	<b>1,150,042</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 335,672</b>	<b>\$ 272,496</b>	<b>\$ 269,842</b>	<b>\$ 362,526</b>	<b>\$ 22,800</b>	<b>\$ 84,512</b>	<b>\$ 1,347,848</b>
Total fund balances - governmental funds							1,150,042
Amounts reported for <i>governmental activities</i> in the statement of net position is different because:							
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,126,260, and the accumulated depreciation is \$411,511.							1,714,749
Payment of principal on loans, leases, and other long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.							(2,013,328)
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds.							192,474
Net position of governmental activities							<u>\$ 1,043,937</u>

City of Wilton  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended December 31, 2014

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	Sales Tax	Street Improvement Fund: 2013	Street Improvement Fund: 2014	Highway Fund		
<b>REVENUES</b>							
Taxes	\$ 64,699	90,102	\$ 91,984	\$ 106,313	\$ -	\$ 19,563	\$ 372,661
Licenses, Permits, and Fees	10,333	-	-	-	-	-	10,333
Intergovernmental	198,501	-	-	-	67,371	-	265,872
Fines	7,870	-	-	-	-	-	7,870
Earnings on Investments	3,967	-	1,135	2,315	270	230	7,917
Miscellaneous	15,525	-	-	-	-	-	15,525
<b>TOTAL REVENUES</b>	<b>300,895</b>	<b>90,102</b>	<b>93,119</b>	<b>108,628</b>	<b>67,641</b>	<b>19,793</b>	<b>680,178</b>
<b>EXPENDITURES</b>							
Current:							
General Government	227,233	-	-	-	-	10,498	237,731
Public Safety	66,691	-	-	-	-	-	66,691
Public Works	-	-	-	-	72,396	-	72,396
Culture and Recreation	-	52,000	-	-	-	-	52,000
Debt Service:							
Principal	-	-	60,000	65,000	19,103	-	144,103
Interest & Fees	-	-	40,994	62,981	2,452	-	106,427
<b>TOTAL EXPENDITURES</b>	<b>293,924</b>	<b>52,000</b>	<b>100,994</b>	<b>127,981</b>	<b>93,951</b>	<b>10,498</b>	<b>679,348</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,971	38,102	(7,875)	(19,353)	(26,310)	9,295	830
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In (Out)	(16,117)	-	-	-	4,824	-	(11,293)
Bonds Issued for Refunding Debt	-	-	-	1,225,000	-	-	1,225,000
Payment to Escrow for Refunding Debt	-	-	-	(1,145,000)	-	-	(1,145,000)
Bond Issuance Costs	-	-	-	(10,223)	-	-	(10,223)
Bond Discount	-	-	-	(18,375)	-	-	(18,375)
<b>Total Other Financing Sources (Uses)</b>	<b>(16,117)</b>	<b>-</b>	<b>-</b>	<b>51,402</b>	<b>4,824</b>	<b>-</b>	<b>40,109</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(9,146)</b>	<b>38,102</b>	<b>(7,875)</b>	<b>32,049</b>	<b>(21,486)</b>	<b>9,295</b>	<b>40,939</b>
Fund Balances - January 1, 2014	288,229	234,394	213,830	269,617	44,286	58,747	1,109,103
<b>FUND BALANCES - DECEMBER 31, 2014</b>	<b>\$ 279,083</b>	<b>\$ 272,496</b>	<b>\$ 205,955</b>	<b>\$ 301,666</b>	<b>\$ 22,800</b>	<b>\$ 68,042</b>	<b>\$ 1,150,042</b>

City of Wilton  
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in  
 Fund Balances to the Statement of Activities  
 For the year ended December 31, 2014

Net change in fund balances - total governmental funds \$ 40,939

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. 23,144

The issuance of bonds provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt Proceeds	(1,225,000)	
Payment of Principal on Advanced Refunding	1,145,000	
Payment of Bond Principal	<u>144,103</u>	
		64,103

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect of various transactions involving capital assets consist of:

Depreciation expense of capital assets reported	<u>(72,594)</u>	
		(72,594)

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 governmental funds:

Accrued compensated absences	<u>8,020</u>	
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Change in net position of governmental activities \$ 63,612

City of Wilton  
Statement of Net Position - Proprietary Funds  
December 31, 2014

	<u>Major Enterprise Funds</u>		Other Enterprise Funds	Totals
	<u>Water Fund</u>	<u>Garbage Fund</u>		
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 51,242	\$ 35,470	\$ 81,969	\$ 168,681
Investments	93,625	-	2,000	95,625
Accounts Receivable	<u>23,886</u>	<u>8,593</u>	-	<u>32,479</u>
Total Current Assets	168,753	44,063	83,969	296,785
Noncurrent Assets:				
Capital Assets:				
Vehicles	-	-	14,000	14,000
Infrastructure	144,711	-	-	144,711
Accumulated Depreciation	<u>(27,135)</u>	-	<u>(14,000)</u>	<u>(41,135)</u>
Net Capital Assets	<u>117,576</u>	-	-	<u>117,576</u>
<b>TOTAL ASSETS</b>	<b>286,329</b>	<b>44,063</b>	<b>83,969</b>	<b>414,361</b>
<b>LIABILITIES</b>				
Due to General Fund	1,978	6,021	5,616	13,615
Portion Due or Payable within One Year				
Bonds Payable	5,000	-	-	5,000
Portion Due or Payable after One Year				
Bonds Payable	<u>105,000</u>	-	-	<u>105,000</u>
Total Liabilities	<u>111,978</u>	<u>6,021</u>	<u>5,616</u>	<u>123,615</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	117,576	-	-	117,576
Unrestricted	<u>56,775</u>	<u>38,042</u>	<u>78,353</u>	<u>173,170</u>
Total Net Position	<u>\$ 174,351</u>	<u>\$ 38,042</u>	<u>\$ 78,353</u>	<u>\$ 290,746</u>

City of Wilton  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the year ended December 31, 2014

	<u>Major Enterprise Funds</u>		Other Enterprise Funds	Total
	Water Fund	Garbage Fund		
OPERATING REVENUES:				
Charges for Services	\$ 227,128	\$ 89,042	\$ 29,365	\$ 345,535
TOTAL OPERATING REVENUES	227,128	89,042	29,365	345,535
OPERATING EXPENSES:				
Supplies	23,031	-	680	23,711
Operation & Maintenance	183,026	-	-	183,026
Salaries	14,584	-	3,683	18,267
Garbage Operations	-	73,271	-	73,271
Depreciation	3,618	-	1,867	5,485
TOTAL OPERATING EXPENSES	224,259	73,271	6,230	303,760
INCOME (LOSS) FROM OPERATIONS	2,869	15,771	23,135	41,775
NON-OPERATING REVENUES (EXPENSES):				
Interest Income	3,648	-	67	3,715
Miscellaneous Income	112	-	-	112
Interest & Fees on Long-Term Debt	(6,293)	-	-	(6,293)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,533)	-	67	(2,466)
INCOME (LOSS) BEFORE TRANSFERS	336	15,771	23,202	39,309
Transfers In (Out)	11,293	-	-	11,293
CHANGE IN NET POSITION	11,629	15,771	23,202	50,602
Net Position - January 1, 2014	138,500	13,258	52,148	203,906
Prior Period Adjustment	24,222	9,013	3,003	36,238
Net Assets - January 1, 2014 as adjusted	162,722	22,271	55,151	240,144
NET POSITION - DECEMBER 31, 2014	<u>\$ 174,351</u>	<u>\$ 38,042</u>	<u>\$ 78,353</u>	<u>\$ 290,746</u>

City of Wilton  
Statement of Cash Flows  
Proprietary Funds  
For the year ended December 31, 2014

	Major Enterprise Funds		Other Enterprise Funds	Total
	Water Fund	Garbage Fund		
Cash flows from operating activities				
Receipts from customers	\$ 227,464	\$ 89,462	\$ 32,368	\$ 349,294
Payments to employees	(14,584)	-	(3,683)	(18,267)
Payments to suppliers	(206,057)	(73,271)	(680)	(280,008)
Net cash provided (used) by operating activities	6,823	16,191	28,005	51,019
Cash flows from noncapital financing activities				
Transfers from (to) other funds	11,293	-	-	11,293
Other receipts	112	-	-	112
Net cash provided (used) by noncapital financing activities	11,405	-	-	11,405
Cash flows from capital financing activities				
Principal paid on bonds	(5,000)	-	-	(5,000)
Interest & fees paid on bonds	(6,293)	-	-	(6,293)
Net cash provided (used) by capital financing activities	(11,293)	-	-	(11,293)
Cash flows from investing activities				
Interest income	2,084	-	67	2,151
Net cash provided (used) by investing activities	2,084	-	67	2,151
Net increase in cash and cash equivalents	9,019	16,191	28,072	53,282
Cash and cash equivalents - January 1	42,223	19,279	53,897	115,399
Cash and cash equivalents - December 31	<u>\$ 51,242</u>	<u>\$ 35,470</u>	<u>\$ 81,969</u>	<u>\$ 168,681</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Income (loss) from operations	\$ 2,869	\$ 15,771	\$ 23,135	\$ 41,775
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	i			
Depreciation	3,618	-	1,867	5,485
Prior Period Adjustment	24,222	9,013	3,003	36,238
(Increase) decrease in accounts receivable	(23,886)	(8,593)	-	(32,479)
Net cash provided (used) by operating activities	<u>\$ 6,823</u>	<u>\$ 16,191</u>	<u>\$ 28,005</u>	<u>\$ 51,019</u>

City of Wilton  
Wilton, North Dakota  
Notes to the Financial Statements  
December 31, 2014

NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wilton operates under a city commission form of government. The financial statements of the City have been prepared with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In accordance with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, for financial reporting purposes the City's financial statements include all accounts of the City's operations. The criteria for including organizations as component units within the City's reporting entity include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is a fiscal dependency by the organization on the City

The City receives funding from local, county, state and federal government sources and must comply with the concomitant requirements of these funding source entities. But, based upon the criteria of Statement No. 14, there are no component units to be included within the City as a reporting entity and the City is not includable as a component unit within another reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are supported by taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Separate statements are presented for governmental, proprietary and fiduciary activities. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds in a single column.

City of Wilton  
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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City has presented the following major governmental funds:

*General Fund:* The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

*Sales Tax Fund:* This fund accounts for the sales tax receipts to be used for various projects within the City.

*Street Improvement Funds:* These funds account for the accumulation of resources for, and the payment of, the long-term bonds principal, interest, and related costs.

*Highway Fund:* This fund accounts for the Highway Tax Distribution payments received from the state and the uses of such funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. The City has the following major proprietary funds:

*Water and Garbage Funds:* These funds are used to account for the provision of water and garbage services to the residents of the City. Activities of the funds include employees' salaries and benefits, and operations and maintenance. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the liability is incurred. Also, the statements include only capital and infrastructure assets capitalized in 2007 to present. Capital and infrastructure assets acquired prior to 2007 were expensed and not depreciated.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.



City of Wilton  
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Notes to the Financial Statements  
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NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

The proprietary funds financial statements are reported using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position. Under the accrual basis of accounting used by the City, charges for services are recorded as revenue when the amounts are received rather than when the revenue is earned. Purchases of capital and infrastructure assets prior to 2007 were expensed.

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.

D. Deposits

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured and 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. During the year, the board did not review the pledge of securities semi-annually as required by state law.

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 any other state of the United States or such other securities approved by the banking board.

The bank balance of these deposits as of December 31, 2014 was \$1,323,067; the carrying balance at this date were \$1,329,104. The difference results from checks outstanding or deposits not yet processed. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$1,073,067 was collateralized with securities held by the pledging financial institutions' agent not in the City's name.

E. Capital Assets

Capital assets, which include infrastructure and related costs and exclude all buildings, land, etc., are reported in the government-wide financial statements. The statements include only infrastructure assets capitalized in 2007 to present. Capital and infrastructure assets acquired prior to 2007 were expensed and not depreciated. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

City of Wilton  
Wilton, North Dakota  
Notes to the Financial Statements  
December 31, 2014

NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Assets capitalized have an original cost of \$5,000 or more (either individually or collectively) and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Equipment	5 years
Infrastructure	40 years

F. Accrued Compensated Absences

The City's policy permits certain personnel to accrue and carryover a limited amount of vacation leave. The accumulated leave will be paid to employees upon separation of employment from the City. A long-term liability for accrued personal and vacation leave has been recorded in the government-wide statements.

G. Encumbrance Accounting

Encumbrances are commitments related to unperformed contracts for goods and services that may be recorded for budgetary control purposes. The City does not record encumbrances.

H. Interfund Transactions

In the governmental and proprietary fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

I. Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the city commission – the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the city commission removed the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – This classification reflects the amounts constrained by the City's "intent" to be used for special purposes, but are neither restricted nor committed. The city commission has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

City of Wilton  
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Notes to the Financial Statements  
December 31, 2014

NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

*Unassigned* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the City's preference is to first use restricted resources, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

J. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

K. Deferred Inflows of Resources

Deferred inflows of resources in the fund financial statements consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the accrual basis of accounting, such amounts are measurable and available and include deferred revenue.

L. Deferred Outflows of Resources

Deferred outflows of resources in the fund financial statements consist of interest expense received during the advanced refunding of long-term debt that is to be paid out in the next fiscal year.

NOTE 2            CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include amounts in highly liquid accounts with an original maturity of three months or less.

Investments consist of certificates of deposit carried at cost with a term of more than three months. The certificates of deposit had interest rates of 0.15 – 0.45 percent in 2014. State statutes authorize political subdivisions to invest in 1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress; 2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above; 3) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation or the state; 4) Obligations of the state.

Concentration of credit risk: The City does not have a limit on the amount the City may invest in any one issuer.

City of Wilton  
Wilton, North Dakota  
Notes to the Financial Statements  
December 31, 2014

NOTE 3      TAXES RECEIVABLE

Taxes receivable consist of delinquent uncollected taxes at December 31.

Property tax revenue is recognized in compliance with National Council on Government Accounting (NCGA) Interpretation 3 "Revenue Recognition – Property Taxes." This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Since no material taxes are collected within this time period, taxes receivable are recorded as deferred revenue.

Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes have been paid. Additional penalties are added October 15th if not paid. Taxes are collected by the county and usually remitted monthly to the City. Property taxes are limited by state laws. All City tax levies are in compliance with state laws.

NOTE 4      DUE FROM COUNTY TREASURER

The amount of \$17,690 due from county treasurer consists of the cash on hand at the county for taxes collected but not remitted to the City at December 31.

NOTE 5      CAPITAL ASSETS

Capital assets consist of the following as of December 31, 2014:

	Governmental Activities	Business-type Activities	Total
Vehicles	\$ -	\$ 14,000	\$ 14,000
Equipment	98,456	-	98,456
Infrastructure	2,027,804	144,711	2,172,515
Total	2,126,260	158,711	2,284,971
Less Accumulated Depreciation	(411,511)	(41,135)	(452,646)
Net – 12/31/14	<u>\$ 1,714,749</u>	<u>\$ 117,576</u>	<u>\$ 1,832,325</u>

Depreciation expense for governmental activities for the year ended December 31, 2014 was \$72,594 and is reported in the government-wide statement of activities as Public Works expense. Depreciation expense for business-type activities for the year ended December 31, 2014 was \$5,485.

Following is a summary of changes in capital assets for the year ended December 31, 2014:

	Governmental Activities		Business-Type Activities	
	Capital Assets	Accumulated Depreciation	Capital Assets	Accumulated Depreciation
Balance, December 31, 2013	\$ 2,126,260	\$ 338,917	\$ 158,711	\$ 35,650
Purchases	-	-	-	-
Disposals	-	-	-	-
Depreciation Expense	-	72,594	-	5,485
Balance, December 31, 2014	<u>\$ 2,126,260</u>	<u>\$ 411,511</u>	<u>\$ 158,711</u>	<u>\$ 41,135</u>

City of Wilton  
Wilton, North Dakota  
Notes to the Financial Statements  
December 31, 2014

NOTE 6      LONG-TERM DEBT

At December 31, 2014, debt consisted of the following:

	Governmental Activities	Business-Type Activities
<p>\$150,000 Water and Sewer Revenue Bonds of 2006. Annual payments beginning in May 2007. Final payment due May 2026; interest rate is 4.50 percent. Bond proceeds were used for water and sewer improvements.</p>		\$            110,000
<p>\$805,000 Refunding Improvement Bonds of 2013. Annual payments beginning in May 2014. Final payment due May 2027; interest rates from 1.00 to 3.00 percent. Bond proceeds were used for the advanced refunding of Refunding Improvement Bonds of 2007-1.</p>	\$            745,000	
<p>\$1,225,000 Refunding Improvement Bonds of 2014. Annual payments beginning in May 2015. Final payment due May 2027; interest rates from 1. to 2.60 percent. Bond proceeds were used for the advanced refunding of Refunding Improvement Bonds of 2007-2.</p>	1,225,000	
<p>In January 2013, the City acquired a John Deere Loader under a capital lease agreement. The cost of the equipment was \$57,000. Annual payments of \$13,258 including principal and interest beginning April 2013. Final lease payment due in April 2017; interest rate 4.80 percent. The equipment may be purchased upon expiration of the lease for \$1.</p>	36,169	
<p>Full-time, permanent employees receive vacation and sick leave benefits each year in amounts that vary depending on tenure with the City. Employees are entitled to their vacation leave upon termination.</p>	7,159	
Total	\$            2,013,328	\$            110,000

City of Wilton  
Wilton, North Dakota  
Notes to the Financial Statements  
December 31, 2014

NOTE 6      LONG-TERM DEBT - CONTINUED

The following is a summary of debt transactions of the City for the year ended December 31, 2014:

	Balance 12/31/13	Issues	Payments	Balance 12/31/14	Due within one year
<u>Governmental Activities</u>					
Refunding Improvement Bond: 2007-2 *	1,210,000	-	1,210,000	-	-
Refunding Improvement Bond: 2013	805,000	-	60,000	745,000	65,000
Refunding Improvement Bond: 2014	-	1,225,000	-	1,225,000	90,000
Capital Lease	55,272	-	19,102	36,169	11,484
Compensated Absences	15,179	5,014	13,034	7,159	7,159
Total Governmental Type Activities	2,085,451	1,230,014	1,302,136	2,013,328	173,643
<u>Business-type Activities</u>					
Water and Sewer Revenue Bonds of 2006	115,000	-	5,000	110,000	5,000
Total Business Type Activities	115,000	-	5,000	110,000	5,000
Total Government	\$ 2,200,451	\$ 1,230,014	\$ 1,307,136	\$ 2,123,328	\$ 178,643

Interest and fees paid by governmental activities for the year ended December 31, 2014 was \$83,451. Interest and fees paid by business-type activities for the year ended December 31, 2012 was \$5,062.

\* On May 20, 2014, \$1,225,000 in Refunding Improvement Bonds of 2014 with an average interest rate of 2.27 percent were issued to advance refund \$1,145,000 of outstanding bonds with an average interest rate of 4.64 percent. The net proceeds of \$1,196,172 (after payment of \$10,453 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The annual requirements to amortize the bonds and lease outstanding at December 31, 2014, are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 166,484	\$ 40,225	\$ 5,000	\$ 4,837	\$ 171,484	\$ 45,062
2016	157,047	38,454	5,000	4,613	162,047	43,067
2017	157,638	36,414	10,000	4,275	167,638	40,689
2018	150,000	33,674	10,000	3,825	160,000	37,499
2019	145,000	30,936	10,000	3,375	155,000	34,311
2020-2024	790,000	106,646	50,000	10,125	840,000	116,771
2025-2027	440,000	17,830	20,000	900	460,000	18,730
Total	\$ 2,006,169	\$ 304,179	\$ 110,000	\$ 31,950	\$ 2,116,169	\$ 336,129

City of Wilton  
Wilton, North Dakota  
Notes to the Financial Statements  
December 31, 2014

NOTE 7            PENSION PLAN

The City of Wilton participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the plan.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of the City of Wilton. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' 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 employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 7% of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The City of Wilton has not elected to implement a salary reduction agreement. The City of Wilton is required to contribute 7.12% of each participant's salary as the employer's share. In addition to the 7.12% employer contribution the employer is required to contribute 1.14% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. The City of Wilton's required and actual contributions and employee's contribution for the years ended December 31, 2014, 2013, and 2012, were \$9,501, \$9,464, and \$7,769, respectively.

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. The report may be obtained by writing to NDPERS; 400 East Broadway Avenue, Suite 505; PO Box 1657; Bismarck, North Dakota 58502-1657.

NOTE 8            RISK MANAGEMENT

The City of Wilton 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 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 a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of Wilton pays an annual premium to NDIRF for its general insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence. There have been no losses that exceeded the coverage in the last three years.

The City continues to carry commercial insurance for all other risks of loss, including North Dakota Fire and Tornado fund, state bonding, workers' compensation and employee health and accident insurance.

City of Wilton  
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December 31, 2014

NOTE 9      INTERFUND RECEIVABLES AND PAYABLES

At December 31, 2014, interfund receivables and payables totaled \$14,473 because there were state tax monies were not recorded in the proper fund, and the enterprise funds owed the general fund for payroll related items. Below is a summary of the interfund receivables and payables.

Fund	Due To Other Funds	Due From Other Funds
General Fund	\$ 858	\$ 13,615
Public Property Special Assessments		60
2007-1 Street Improvements		107
2007-2 Street Improvements		691
Water Fund	1,978	
Sewer Fund	5,616	-
Garbage Fund	6,021	-
Total	\$ 14,473	\$ 14,473

NOTE 10      EXPENDITURES IN EXCESS OF BUDGET

For the year ended December 31, 2014, the general fund was in excess of the budget. No remedial action is anticipated or required by the City regarding these excess expenditures.

NOTE 11      INTERFUND TRANSFERS

At December 31, 2014, fund transfers consisted of the following:

Fund	In	Out	
General Fund	\$ -	\$ 16,117	Correct a transfer to highway and interest expense
Highway Fund	4,824	-	Correct transfer from general to cover payroll expenses
Water Fund	11,293	-	Interest expense on Water & Sewer Revenue Bonds of 2006
Total	\$ 16,117	\$ 16,117	



City of Wilton  
Wilton, North Dakota  
Notes to the Financial Statements  
December 31, 2014

NOTE 12      FUND BALANCES

At December 31, 2014, a summary of the governmental fund balance classifications are as follows:

	General Fund	Sales Tax	Street Improvement Fund: 2007-1	Street Improvement Fund: 2007-2	Highway Fund	Other Governmental Funds	Total
Nonspendable	\$ -	\$ -	\$ -	\$ 25,586	\$ -	\$ -	\$ 25,586
Restricted							
Debt Service	-	-	205,955	276,080	-	-	482,035
Highway	-	-	-	-	22,800	-	22,800
Social Security	-	-	-	-	-	10,276	10,276
Public Property Specials	-	-	-	-	-	34,938	34,938
Insurance	-	-	-	-	-	14,882	14,882
Assigned							
Sales Tax	-	272,496	-	-	-	-	272,496
Memorial Hall Expansion	-	-	-	-	-	4,061	4,061
Soo Depot	-	-	-	-	-	3,885	3,885
Unassigned	279,083	-	-	-	-	-	279,083
	<u>\$ 279,083</u>	<u>\$ 272,496</u>	<u>\$ 205,955</u>	<u>\$ 276,080</u>	<u>\$ 22,800</u>	<u>\$ 68,042</u>	<u>\$ 1,150,042</u>

NOTE 13      SUBSEQUENT EVENTS

The city purchased a used Skid Steer for \$30,000 in November 2018, and in April of 2019 the city leased a new loader. The old loader was traded off in the lease agreement, the remaining balance on the lease is approximately \$83,800.

NOTE 14      CORRECTION OF ERROR – PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$36,238 reported on the Statement of Activities and the Statement of Revenues, Expenses and Change in Fund Net Position – Proprietary Fund is the amount of receivables that should have been recorded in the business-type activities and the proprietary funds at December 31, 2013. The receivables and net position in 2013 were both understated by \$36,238. This is reported as a prior period adjustment in the current year as the City switched from modified accrual basis accounting in 2013 to accrual basis accounting for 2014.

***REQUIRED  
SUPPLEMENTARY INFORMATION***

City of Wilton  
 Budgetary Comparison Schedule  
 General Fund  
 For the year ended December 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	
<b>REVENUES</b>				
Taxes	\$ 68,233	\$ 68,233	\$ 64,699	\$ (3,534)
Licenses, Permits, and Fees	6,250	6,250	10,333	4,083
Intergovernmental	121,950	121,950	198,501	76,551
Charges for Services	9,000	9,000	-	(9,000)
Fines	2,300	2,300	7,870	5,570
Earnings on Investments	90	90	3,967	3,877
Miscellaneous	11,980	11,980	15,525	3,545
<b>TOTAL REVENUES</b>	<u>219,803</u>	<u>219,803</u>	<u>300,895</u>	<u>81,092</u>
<b>EXPENDITURES</b>				
Current:				
General Government	253,134	253,134	227,233	25,901
Public Safety	-	-	66,691	(66,691)
<b>TOTAL EXPENDITURES</b>	<u>253,134</u>	<u>253,134</u>	<u>293,924</u>	<u>(40,790)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,331)	(33,331)	6,971	40,302
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out)	-	-	(16,117)	(16,117)
<b>NET CHANGE IN FUND BALANCES</b>	(33,331)	(33,331)	(9,146)	24,185
Fund Balances - January 1, 2014	<u>288,229</u>	<u>288,229</u>	<u>288,229</u>	<u>-</u>
<b>FUND BALANCES - DECEMBER 31, 2014</b>	<u>\$ 254,898</u>	<u>\$ 254,898</u>	<u>\$ 279,083</u>	<u>\$ 24,185</u>

City of Wilton  
 Budgetary Comparison Schedule  
 Sales Tax Fund  
 For the year ended December 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	
REVENUES				
Taxes	\$ 74,400	\$ 74,400	\$ 90,102	\$ 15,702
TOTAL REVENUES	74,400	74,400	90,102	15,702
EXPENDITURES				
Current:				
Culture and Recreation	75,000	75,000	52,000	23,000
TOTAL EXPENDITURES	75,000	75,000	52,000	23,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(600)	(600)	38,102	38,702
Fund Balances - January 1, 2014	234,394	234,394	234,394	-
FUND BALANCES - DECEMBER 31, 2014	<u>\$ 233,794</u>	<u>\$ 233,794</u>	<u>\$ 272,496</u>	<u>\$ 38,702</u>

City of Wilton  
 Budgetary Comparison Schedule  
 Highway Fund  
 For the year ended December 31, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	
REVENUES				
Intergovernmental	40,000	\$ 40,000	\$ 67,371	\$ 27,371
Earnings on Investments	-	-	270	270
TOTAL REVENUES	<u>40,000</u>	<u>40,000</u>	<u>67,641</u>	<u>27,641</u>
EXPENDITURES				
Current:				
Public Works	78,500	78,500	72,396	6,104
Debt Service:				
Principal	-	-	19,103	(19,103)
Interest & Fees	-	-	2,452	(2,452)
TOTAL EXPENDITURES	<u>78,500</u>	<u>78,500</u>	<u>93,951</u>	<u>(15,451)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,500)	(38,500)	(26,310)	12,190
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	4,824	4,824
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>4,824</u>	<u>4,824</u>
NET CHANGE IN FUND BALANCES	(38,500)	(38,500)	(21,486)	17,014
Fund Balances - January 1, 2014	<u>44,286</u>	<u>44,286</u>	<u>44,286</u>	<u>-</u>
FUND BALANCES - DECEMBER 31, 2014	<u>\$ 5,786</u>	<u>\$ 5,786</u>	<u>\$ 22,800</u>	<u>\$ 17,014</u>

City of Wilton  
Notes to Required Supplementary Information  
December 31, 2014

NOTE 1      BUDGETS

The City adopts a budget on the consistent with accounting principles generally accepted in the United States of America for the general fund and each special revenue fund. The City is required to present the adopted and final amended budgeted revenues and expenditures for these funds. The City is not required to present a budget for the Debt Service Funds.

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

- On or before September 10<sup>th</sup> of the preceding fiscal year, the City prepares a preliminary budget for the next succeeding year beginning January 1<sup>st</sup>. The preliminary budget includes a breakdown of the estimated revenues and appropriations.
- The City 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 7<sup>th</sup>, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10<sup>th</sup>.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the City may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the governing board and the approval must be noted in the official proceedings of the board.
- Except as provided by North Dakota Century Code Section 40-40-21, the balance of each appropriation becomes a part of the unappropriated fund balance at year end.

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*

Governing Board  
City of Wilton  
Wilton, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilton as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 20, 2020.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2014-1 through 2014-4 described in the accompanying schedule of findings to be material weaknesses.

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*

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Wilton’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2014-5.

**City of Wilton, North Dakota’s Response to Findings**

City of Wilton, North Dakota’s responses to the findings identified in our audit are described in the accompanying schedule of findings. The City of Wilton’s responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’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 of Wilton’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Haga Kommer, Ltd.*

Haga Kommer, Ltd.  
Mandan, North Dakota  
January 20, 2020



City of Wilton  
Schedule of Findings  
For the Year Ended December 31, 2014

**Section I – Financial Statement Audit**

*Material Weaknesses*

Finding 2014-1: Segregation of Duties

Condition – The City Auditor is responsible for the majority of accounting functions. Considering the size of the City, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

Criteria – A good system of internal control contemplates an adequate segregation of duties so that no individual has control of a transaction from inception to completion.

Cause – There is a limited number of staff members available for these duties.

Effect – Inadequate segregation of duties could affect the City's ability to timely detect misstatements in amounts that would be material to the financial statements.

Recommendation – This is not unusual in City's of your size, but the City Commission should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view.

Management's Response – The City is aware of the condition and will add controls where feasible.

Finding 2014-2: Preparation of the Financial Statements

Condition – The financial statements and related notes are prepared by the City's auditors.

Criteria – Complete and accurate presentation of the financial statements in conformity with generally accepted accounting principles is required.

Cause – Ongoing changes in the reporting and disclosure requirements make it difficult to maintain knowledge of current accounting standards with limited time available to the accounting department.

Effect – The City has elected to have the auditors complete the full disclosure financial statements.

Recommendation – The preparation of financial statements by the City's auditors is not unusual in an organization of this size. Due to the accounting department having adequate accounting knowledge they should continue to review the financial statements and related disclosures.

Management's Response – The City is aware that someone needs to review the audit report each year to make sure the financial statements appear correct.

City of Wilton  
Schedule of Findings  
For the Year Ended December 31, 2014

**Section I – Financial Statement Audit - Continued**

Finding 2014-3: Capital Asset Records

Condition – The City’s internal accounting records do not contain the information necessary to account for its fixed assets and related depreciation prior to the 2007 fiscal year.

Criteria – The City’s internal controls should be designed to operate in a manner necessary to record, process, summarize, and report financial data consistent with management’s assertions embodied in the financial statements.

Cause – The City did not have a system in place to track capital assets prior to 2007.

Effect – Without detailed cost or estimate cost records of these fixed assets, the City cannot account for its fixed assets and related depreciation prior to 2007 and are not presented in their financial statements.

Recommendation – We recommend the City review its accounting for fixed assets to determine its adequacy for insurance purposes as well as gather the information necessary to present a complete list of fixed assets and related depreciation in their financial statements.

Management’s Response – The City will work on compiling a list of capital assets to add to their new software program that was initiated in June 2013.

Finding 2014-4: Journal Entries

Condition – Several journal entries were required to be made during the audit to present accurate financial statements due to accrual adjustments not completed by the City Auditor and several errors were discovered due to money recorded in the wrong fund.

Criteria – The City is required to establish internal controls and procedures which allow it to determine that the general ledger accounts are properly reflected according to generally accepted accounting policies.

Cause – The accrual adjustments are not completed by the City Auditor and several errors were discovered due to money being recorded in the wrong fund.

Effect – The amount of journal entries made has a material effect on the financial statements.

Recommendation – Management should make year-end accrual adjustments and ensure that the monies received are recorded in the proper fund.

Management’s Response – The City will work to make the journal entries necessary to present accurate financial statements and reflect the year-end accrual adjustments. The City will also ensure that monies received are recorded in the proper fund.

City of Wilton  
Schedule of Findings  
For the Year Ended December 31, 2014

**Section I – Financial Statement Audit - Continued**

*Noncompliance*

Finding 2014-5: Approval of Pledges of Securities

Condition – The City is not approving its pledges of securities on a semiannual basis as required in state law.

Criteria – Pledges should be reviewed semiannually to ensure there is adequate coverage for the City’s bank balances to protect against loss of funds.

Cause – The City was not aware of state law regarding pledges of securities.

Effect – The City could have funds that are not protected by pledges and FDIC insurance.

Recommendation – We recommend the City review and approve pledges of securities on a semiannual basis as required by state law.

Management’s Response – We will make sure that the City Commission approves the pledges of securities semi-annually as required by state law.

**Section II – Prior Year Findings**

Findings 2014-1 through 2014-5 are repeat findings.