

**CITY OF WILTON
WILTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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CITY OF WILTON
CITY OFFICIALS
DECEMBER 31, 2015

President of Commission	LeeAnn Domonoske-Kellar
Commissioner	John Clausen
Commissioner	Joan Kruckenberg
Commissioner	Joel Middaugh
Commissioner	Lisa Hedstrom
Auditor	Pattie Solberg

INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Wilton
Wilton, North Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Wilton, as of December 31, 2015, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the City has elected to change its basis of accounting to a modified cash basis of accounting effective January 1, 2015.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wilton's basic financial statements. The budgetary comparison schedules, schedule of changes in fund balances and changes in net position, and schedule of indebtedness are listed in the table of contents as supplementary information and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules, schedule of changes in fund balances and changes in net position, and schedule of indebtedness are the responsibility of management and were derived from and relate 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 the modified cash basis of accounting. In our opinion, the budgetary comparison schedules, schedule of changes in fund balances and changes in net position, and schedule of indebtedness are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

March 8, 2021

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CITY OF WILTON
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,111,008	\$ 179,044	\$ 1,290,052
Investments	95,890	95,918	191,808
Accounts Receivable		33,930	33,930
	<u>1,206,898</u>	<u>308,892</u>	<u>1,515,790</u>
TOTAL ASSETS			
NET POSITION			
Restricted for:			
Social Security	14,724		14,724
Memorial Hall	1,952		1,952
Soo Depot	3,898		3,898
Insurance	16,891		16,891
Debt Service	439,399		439,399
Special Revenue	461,334		461,334
Unrestricted	268,700	308,892	577,592
	<u>268,700</u>	<u>308,892</u>	<u>577,592</u>
TOTAL NET POSITION	<u>\$ 1,206,898</u>	<u>\$ 308,892</u>	<u>\$ 1,515,790</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$ 216,834	\$	\$ 200,780	\$ (16,054)	\$	\$ (16,054)
Public Safety	73,589			(73,589)		(73,589)
Public Works	69,042	3,608	64,802	(632)		(632)
Culture and Recreation	25,587	11,904		(13,683)		(13,683)
Economic Development	9,300			(9,300)		(9,300)
Principal	166,642			(166,642)		(166,642)
Interest and Fees	43,451			(43,451)		(43,451)
Total Governmental Activities:	604,445	15,512	265,582	(323,351)		(323,351)
Business-Type Activities:						
Water	229,434	233,476			4,042	4,042
Garbage	87,479	89,653			2,174	2,174
Sewer	13,640	29,498			15,858	15,858
Total Business-Type Activities:	330,553	352,627			22,074	22,074
Total Primary Government:	\$ 934,998	\$ 368,139	\$ 265,582	(323,351)	22,074	(301,277)
General Revenues						
Taxes:						
Property taxes				91,011		91,011
Sales taxes				152,961		152,961
Special Assessments				183,232		183,232
Earnings on Investments				6,792	386	7,178
Miscellaneous				23,084		23,084
Transfers				(11,064)	11,064	
Total general revenues and transfers				446,016	11,450	457,466
Change in net position				122,665	33,524	156,189
Net Position, Beginning				1,043,937	290,744	1,334,681
Restatement - See Note 2				40,296	(15,376)	24,920
Net Position, Beginning - Restated				1,084,233	275,368	1,359,601
Net Position, Ending				\$ 1,206,898	\$ 308,892	\$ 1,515,790

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
DECEMBER 31, 2015

	<u>General</u>	<u>Sales Tax</u>	<u>2007-1 Street</u>	<u>2007-2 Street</u>	<u>Highway</u>	<u>Public Property Specials</u>	<u>Equipment</u>	<u>Total Governmental Funds</u>
ASSETS								
Cash and Cash Equivalents	\$ 284,436	\$ 407,121	\$ 86,850	\$ 272,549	\$ 15,604	\$ 38,609	\$ 5,839	\$ 1,111,008
Investments	15,890		80,000					95,890
TOTAL ASSETS	<u>\$ 300,326</u>	<u>\$ 407,121</u>	<u>\$ 166,850</u>	<u>\$ 272,549</u>	<u>\$ 15,604</u>	<u>\$ 38,609</u>	<u>\$ 5,839</u>	<u>\$ 1,206,898</u>
FUND BALANCES								
Restricted for:								
Social Security	\$ 14,724							\$ 14,724
Memorial Hall	1,952							1,952
Soo Depot	3,898							3,898
Insurance	16,891							16,891
Debt Service			166,850	272,549				439,399
Special Revenue		407,121			15,604	38,609		461,334
Assigned for:								
Capital Outlays							5,839	5,839
Unassigned	<u>262,861</u>							<u>262,861</u>
TOTAL FUND BALANCES	<u>\$ 300,326</u>	<u>\$ 407,121</u>	<u>\$ 166,850</u>	<u>\$ 272,549</u>	<u>\$ 15,604</u>	<u>\$ 38,609</u>	<u>\$ 5,839</u>	<u>\$ 1,206,898</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – MODIFIED
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	<u>Sales Tax</u>	<u>2007-1 Street</u>	<u>2007-2 Street</u>	<u>Highway</u>	<u>Public Property Specials</u>	<u>Equipment</u>	<u>Total Governmental Funds</u>
REVENUE								
Taxes:								
Property	\$ 86,462					\$ 4,549		\$ 91,011
Sales		152,961						152,961
Special Assessments			57,119	126,113				183,232
Licenses, Permits, and Fees	6,321							6,321
Intergovernmental - State	191,099				64,802			255,901
Charges for Services	15,512							15,512
Fines	3,360							3,360
Earnings on Investments	2,804		632	2,955	181	203	17	6,792
Miscellaneous	22,752				332			23,084
TOTAL REVENUE	<u>328,310</u>	<u>152,961</u>	<u>57,751</u>	<u>129,068</u>	<u>65,315</u>	<u>4,752</u>	<u>17</u>	<u>738,174</u>
EXPENDITURES								
Current:								
General Government	216,834							216,834
Public Safety	73,589							73,589
Public Works	9,789				59,253			69,042
Culture and Recreation	16,551	9,036						25,587
Economic Development		9,300						9,300
Debt Service:								
Principal			65,000	90,000	11,642			166,642
Interest and Fees			16,215	25,620	1,616			43,451
TOTAL EXPENDITURES	<u>316,763</u>	<u>18,336</u>	<u>81,215</u>	<u>115,620</u>	<u>72,511</u>			<u>604,445</u>
Excess of Revenues Over (Under) Expenditures	11,547	134,625	(23,464)	13,448	(7,196)	4,752	17	133,729
OTHER FINANCING USES								
Transfers Out	(11,064)							(11,064)
Net Change in Fund Balances	483	134,625	(23,464)	13,448	(7,196)	4,752	17	122,665
Fund Balances, Beginning	312,187	272,496	205,955	301,666	22,800	34,938		1,150,042
Restatement - See Note 2	(12,344)		(15,641)	(42,565)		(1,081)	5,822	(65,809)
Fund Balances, Beginning - Restated	<u>299,843</u>	<u>272,496</u>	<u>190,314</u>	<u>259,101</u>	<u>22,800</u>	<u>33,857</u>	<u>5,822</u>	<u>1,084,233</u>
Fund Balances, Ending	<u>\$ 300,326</u>	<u>\$ 407,121</u>	<u>\$ 166,850</u>	<u>\$ 272,549</u>	<u>\$ 15,604</u>	<u>\$ 38,609</u>	<u>\$ 5,839</u>	<u>\$ 1,206,898</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
DECEMBER 31, 2015

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS				
Cash and Cash Equivalents	\$ 71,332	\$ 31,509	\$ 76,203	\$ 179,044
Investments	95,918			95,918
Accounts Receivable	<u>22,379</u>	<u>8,707</u>	<u>2,844</u>	<u>33,930</u>
TOTAL ASSETS	<u>189,629</u>	<u>40,216</u>	<u>79,047</u>	<u>308,892</u>
NET POSITION				
Unrestricted	<u>189,629</u>	<u>40,216</u>	<u>79,047</u>	<u>308,892</u>
TOTAL NET POSITION	<u>\$ 189,629</u>	<u>\$ 40,216</u>	<u>\$ 79,047</u>	<u>\$ 308,892</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS –
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues				
Charges for Services	\$ 233,476	\$ 89,653	\$ 29,498	\$ 352,627
Total Operating Revenues	<u>233,476</u>	<u>89,653</u>	<u>29,498</u>	<u>352,627</u>
Operating Expenses				
Salaries	15,623	7,414	12,743	35,780
Operation and Maintenance	193,601	80,065	897	274,563
Supplies	9,146			9,146
Total Operating Expenses	<u>218,370</u>	<u>87,479</u>	<u>13,640</u>	<u>319,489</u>
Operating Income	15,106	2,174	15,858	33,138
Nonoperating Income (Expense)				
Interest Income	386			386
Principal	(5,000)			(5,000)
Interest Expense	(6,064)			(6,064)
Total Nonoperating Income (Expense)	<u>(10,678)</u>			<u>(10,678)</u>
Net Income Before Transfers	<u>4,428</u>	<u>2,174</u>	<u>15,858</u>	<u>22,460</u>
Transfers In	<u>11,064</u>			<u>11,064</u>
Change in Net Position	15,492	2,174	15,858	33,524
Net Position, Beginning	189,513	38,042	63,189	290,744
Restatement - See Note 2	(15,376)			(15,376)
Net Position, Beginning - Restated	<u>174,137</u>	<u>38,042</u>	<u>63,189</u>	<u>275,368</u>
Net Position, Ending	<u>\$ 189,629</u>	<u>\$ 40,216</u>	<u>\$ 79,047</u>	<u>\$ 308,892</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Totals</u>
Cash Flows From Operating Activities:				
Receipts from Customers	\$ 233,004	\$ 89,539	\$ 29,505	\$ 352,048
Payments to Suppliers	(202,747)	(80,065)	(897)	(283,709)
Payments to Employees	(15,623)	(7,414)	(12,743)	(35,780)
Net Cash Provided By Operating Activities	<u>14,634</u>	<u>2,060</u>	<u>15,865</u>	<u>32,559</u>
Cash Flows From Noncapital Financing Activities:				
Changes in Interfund Loans	(1,978)	(6,021)	(5,616)	(13,615)
Transfers from Other Funds	11,064			11,064
Net Cash Provided (Used) By Noncapital Financing Activities	<u>9,086</u>	<u>(6,021)</u>	<u>(5,616)</u>	<u>(2,551)</u>
Cash Flows From Capital And Related Financing Activities:				
Principal Paid on Bonds	(5,000)			(5,000)
Interest Paid on Bonds	(6,064)			(6,064)
Net Cash Used By Capital And Related Financing Activities	<u>(11,064)</u>			<u>(11,064)</u>
Cash Flows From Investing Activities:				
Interest	386			386
Purchase of Investments	(293)			(293)
Net Cash Provided By Investing Activities	<u>93</u>			<u>93</u>
Net Increase (Decrease) In Cash	12,749	(3,961)	10,249	19,037
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>58,583</u>	<u>35,470</u>	<u>65,954</u>	<u>160,007</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 71,332</u>	<u>\$ 31,509</u>	<u>\$ 76,203</u>	<u>\$ 179,044</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 15,106	\$ 2,174	\$ 15,858	\$ 33,138
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Effects on Operating Cash Flows Due to Changes In:				
Accounts Receivable	(472)	(114)	7	(579)
Total Adjustments	<u>(472)</u>	<u>(114)</u>	<u>7</u>	<u>(579)</u>
Net Cash Provided by Operating Activities	<u>\$ 14,634</u>	<u>\$ 2,060</u>	<u>\$ 15,865</u>	<u>\$ 32,559</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wilton, North Dakota, was incorporated under the laws of the State of North Dakota and operates under a city commission form of government. The accounting policy of the City of Wilton is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The City does not maintain capital asset records or related debt for the governmental and business-type activities. Since capital asset records are not maintained, depreciation is not recognized and recorded as an expense. 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.

As discussed further in the "Measurement Focus" and "Basis of Accounting" sections in Note 1, these financial statements are presented on a modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

The accompanying financial statements present the activities of the City of Wilton. 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 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. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City 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. Based upon the application of these criteria, the City is not includable as a component unit within another reporting entity and the City does not have a component unit.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government of the City of Wilton. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category-governmental and proprietary-are presented. The emphasis of fund financial statements is on major

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The City reports 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 and fixed charges 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.

2007-1 Street Fund. This fund accounts for the accumulation of resources for, and the payment of, the long-term bonds principal, interest, and related costs.

2007-2 Street Fund. This fund accounts 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.

Public Property Specials Fund. This fund accounts for the accumulation of resources for, and payment of, special assessments on city owned property.

Equipment Fund. This fund accounts for financial resources to be used for capital outlay.

The City reports the following major enterprise funds:

Water Fund. This fund accounts for the provision of water services to the residents of the City.

Garbage Fund. This fund accounts for the provision of garbage services to the residents of the City.

Sewer Fund. This fund accounts for the provision of sewer services to the residents of the City.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a) All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of expendable financial resources during a given period. These funds use fund balance as their measure of available expendable financial resources at the end of the period.
- b) The proprietary funds utilize an “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 (whether current or non-current, financial, or non-financial) associated with their activities are reported on a modified cash basis. Proprietary fund equity is classified as net position.

Basis of Accounting

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. In accordance with the City’s modified cash basis of accounting, revenues and expenses and certain related assets, liabilities are recorded when they result from cash transactions or events, except for certain modifications, such as the recording of the utility receivables in the business-type activities and in the proprietary fund financial statements; and interfund receivables and payables in both the government wide financial statements and the fund financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits.

Investments

Investments include nonnegotiable certificates of deposit.

Accounts Receivable – Proprietary Funds

Receivables are carried at invoice amount, no allowance for uncollectible amounts is recorded. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

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 removes 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 specific 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.

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.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. However, since the statements are prepared on a modified cash basis, management does not consider there to be any significant estimates.

NOTE 2 CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

Effective January 1, 2015, the Commissioners have elected to report the City’s financial statements on a modified cash basis of accounting which is the same as their internal reporting.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

	<u>Reclassify Funds</u>	<u>Modified Cash Basis</u>	<u>Total</u>
Governmental Funds			
General	\$ 29,789	\$ (12,344)	\$ 17,445
Nonmajor Governmental	<u>(29,789)</u>		<u>(29,789)</u>
Total General		(12,344)	(12,344)
Public Property Specials		(1,081)	(1,081)
Equipment	5,822		5,822
2007-1 Street		(15,641)	(15,641)
2007-2 Street		(42,565)	(42,565)
 Total Governmental Funds	 <u>\$ 5,822</u>	 <u>\$ (71,631)</u>	 <u>\$ (65,809)</u>
 Governmental Activities	 <u>\$ 5,822</u>	 <u>\$ 34,474</u>	 <u>\$ 40,296</u>
 Proprietary Funds / Business Activities			
Water	\$ 9,342	\$ (9,554)	\$ (212)
Nonmajor Proprietary	(15,164)		(15,164)
 Total Proprietary Funds / Business Activities	 <u>\$ (5,822)</u>	 <u>\$ (9,554)</u>	 <u>\$ (15,376)</u>

In addition, effective January 1, the City has changed the name of the following funds:
Street Improvement Fund 2013 will be reported as 2007-1 Street.
Street Improvement Fund 2014 will be reported as 2007-2 Street.

NOTE 3 LEGAL COMPLIANCE - BUDGETS

Budgetary Information

The City Commission adopts an annual budget on a basis consistent with the modified cash basis of accounting for the City's funds. The City is required to present the adopted and final amended budgeted revenues and expenditures for the general fund and each major special revenue fund.

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

On or before September 10 of the preceding fiscal year, the City prepares a preliminary budget for the next succeeding year beginning January 1. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.

The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1, the board adopts the final budget.

The final budget must be filed with the county auditor by October 10.

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.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

All annual appropriations lapse at year-end.

Budget Compliance

Prior to adopting the final budget, the city did not hold a public hearing.

Budget Amendments

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

NOTE 4 DEPOSITS AND INVESTMENTS

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

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

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

The City maintains cash on deposit at a financial institution. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2015, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$1,259,525 of the City's deposits are covered by pledged securities held in the City's name as of December 31, 2015.

Credit Risk

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

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

As of December 31, 2015, the City had no investments.

Concentration of Credit Risk

The City does not have a limit on the amount the City may invest in any one issuer. The City does not have an investment policy that specifically addresses credit risk.

NOTE 5 PROPERTY TAXES

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

Property taxes attach as an enforceable lien on property on January 1. A 5% reduction is allowed if paid by February 15. Penalty and interest are added March 1 unless the first half of the taxes have been paid. Additional penalties are added October 15 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 6 PENSION PLAN

Summary of Significant Accounting Policies

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.

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main 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; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

Pension Benefits

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

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

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, 2015, the City reported a net pension liability of \$99,468 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2015, the Employer's proportion was 0.0146 percent. There was no net position liability or deferred inflows or outflows of resources reported on the City's financial statements as they are reporting on the modified cash basis.

Actuarial Assumptions

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

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.0%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

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

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; PO Box 1657; Bismarck, ND 58502-1657.

NOTE 7 LONG-TERM DEBT

Below is a summary of long-term debt owed by the City. This information is not included in the financial statements, as the financial statements are prepared on a modified cash basis.

During the year ended December 31, 2015, the following changes occurred in long-term debt:

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

Summary of Long-Term Liabilities

	Beginning Balance as Restated	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Refunding Improvement Bonds of 2013	\$ 745,000	\$	\$ 65,000	\$ 680,000	\$ 60,000
Refunding Improvement Bonds of 2014	1,225,000		90,000	1,135,000	85,000
Total Bonds	<u>1,970,000</u>		<u>155,000</u>	<u>1,815,000</u>	<u>145,000</u>
John Deere Capital Lease	36,169		11,643	24,526	12,081
Total Governmental Activities	<u>\$ 2,006,169</u>	<u>\$</u>	<u>\$ 166,643</u>	<u>\$ 1,839,526</u>	<u>\$ 157,081</u>
Business-Type Activities:					
Water and Sewer Revenue Bonds 2006	\$ 110,000	\$	\$ 5,000	\$ 105,000	\$ 5,000
Total Business-Type Activities	<u>\$ 110,000</u>	<u>\$</u>	<u>\$ 5,000</u>	<u>\$ 105,000</u>	<u>\$ 5,000</u>

Interest and fees paid by governmental activities for the year ended December 31, 2015 was \$43,451. Interest and fees paid by business-type activities for the year ended December 31, 2015 was \$6,064.

The principal maturities on debt for the years ending December 31 are as follows:

Governmental Funds

Year Ending December 31	Principal	Interest
2016	\$ 145,000	\$ 37,243
2017	145,000	35,793
2018	150,000	33,674
2019	145,000	30,936
2020	155,000	28,161
2021-2025	785,000	88,375
2026-2027	290,000	7,940
Total	<u>\$ 1,815,000</u>	<u>\$ 262,122</u>

Capital Lease

Year Ending December 31	Principal	Interest
2016	\$ 12,081	\$ 1,177
2017	12,445	597
Total	<u>\$ 24,526</u>	<u>\$ 1,774</u>

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

Proprietary Funds

Year Ending December 31	Principal	Interest
2016	\$ 5,000	\$ 4,613
2017	10,000	4,275
2018	10,000	3,825
2019	10,000	3,375
2020	10,000	2,925
2021-2025	50,000	7,875
2026	10,000	225
Total	\$ 105,000	\$ 27,113

NOTE 8 INTERFUND TRANSFERS

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

Interfund transfers:

Transfer In	Transfer Out	Amount
Water	General	\$ 11,064

The purpose of the transfer is to cover debt service payment.

NOTE 9 CONTINGENCIES

The City receives significant financial assistance from numerous federal, state and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2015.

NOTE 10 RISK MANAGEMENT

The City of Wilton is exposed to various risks of loss relating 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 as 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 losses, including North Dakota Fire and Tornado fund, state bonding, workers' compensation and employee health and accident insurance.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

NOTE 11 RECENT PRONOUNCEMENTS

The City will implement the following recent pronouncements for fiscal years ending after December 31, 2015:

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

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

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

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

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

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entirety transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2015

plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the City's financial statements.

NOTE 12 SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. Restrictions and government social distancing recommendations have significantly impacted the activities of the City. While the City expects this matter to negatively impact its results of operations and financial condition, the extent of the impact is uncertain.

Subsequent events have been evaluated through March 8, 2021, which is the date these financial statements were available to be issued.

CITY OF WILTON
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original and Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget
REVENUES			
Taxes	\$	\$ 86,462	\$ 86,462
Licenses, Permits, and Fees	7,114	6,321	(793)
Intergovernmental - State	130,000	191,099	61,099
Charges for Services	9,000	15,512	6,512
Fines	5,000	3,360	(1,640)
Earnings on Investments		2,804	2,804
Miscellaneous	9,200	22,752	13,552
	<u>160,314</u>	<u>328,310</u>	<u>167,996</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
General Government	265,192	216,834	(48,358)
Public Safety	74,500	73,589	(911)
Public Works		9,789	9,789
Culture and Recreation		16,551	16,551
	<u>339,692</u>	<u>316,763</u>	<u>(22,929)</u>
TOTAL EXPENDITURES			
Excess of Revenues Over (Under) Expenditures	(179,378)	11,547	190,925
OTHER FINANCING USES			
Transfers Out		(11,064)	(11,064)
	<u>(179,378)</u>	<u>483</u>	<u>179,861</u>
Net Change in Fund Balances			
Fund Balances, Beginning	312,187	312,187	
Restatement - See Note 2	(12,344)	(12,344)	
Fund Balances, Beginning - Restated	<u>299,843</u>	<u>299,843</u>	
Fund Balances, Ending	<u>\$ 120,465</u>	<u>\$ 300,326</u>	<u>\$ 179,861</u>

CITY OF WILTON
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
REVENUES			
Taxes	\$ 45,000	\$ 152,961	\$ 107,961
TOTAL REVENUES	<u>45,000</u>	<u>152,961</u>	<u>107,961</u>
EXPENDITURES			
Current:			
Culture and Recreation		9,036	9,036
Economic Development		9,300	9,300
Other - Requests	80,000		(80,000)
TOTAL EXPENDITURES	<u>80,000</u>	<u>18,336</u>	<u>(61,664)</u>
Excess of Revenues Over (Under) Expenditures	(35,000)	134,625	169,625
Fund Balances - Beginning	<u>272,496</u>	<u>272,496</u>	
Fund Balances - Ending	<u>\$ 237,496</u>	<u>\$ 407,121</u>	<u>\$ 169,625</u>

CITY OF WILTON
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original and Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget
REVENUES			
Intergovernmental - State	\$ 40,000	\$ 64,802	\$ 24,802
Earnings on Investments	50	181	131
Miscellaneous		332	332
TOTAL REVENUES	<u>40,050</u>	<u>65,315</u>	<u>25,265</u>
EXPENDITURES			
Current:			
Public Works	66,122	59,253	(6,869)
Debt Service:			
Principal	49,000	11,642	(37,358)
Interest & Fees		1,616	1,616
TOTAL EXPENDITURES	<u>115,122</u>	<u>72,511</u>	<u>(42,611)</u>
Excess of Revenues Under Expenditures	(75,072)	(7,196)	67,876
Fund Balances - Beginning	<u>22,800</u>	<u>22,800</u>	
Fund Balances - Ending	<u><u>\$ (52,272)</u></u>	<u><u>\$ 15,604</u></u>	<u><u>\$ 67,876</u></u>

CITY OF WILTON
SCHEDULE OF CHANGES IN FUND BALANCES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	Restated Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance End of Year
Governmental Funds					
General					
Restricted for:					
Social Security	\$ 7,431	\$ 13,234	\$ 5,941	\$	\$ 14,724
Memorial Hall	4,061	27	2,136		1,952
Soo Depot	3,885	13			3,898
Insurance	14,412	2,479			16,891
Unassigned	270,054	312,557	308,686	(11,064)	262,861
Total General Fund	<u>299,843</u>	<u>328,310</u>	<u>316,763</u>	<u>(11,064)</u>	<u>300,326</u>
Highway - Restricted	22,800	65,315	72,511		15,604
Sales Tax - Restricted	272,496	152,961	18,336		407,121
Public Property Specials - Restricted	33,857	4,752			38,609
Equipment - Assigned	5,822	17			5,839
2007-1 Street - Restricted	190,314	57,751	81,215		166,850
2007-2 Street - Restricted	259,101	129,068	115,620		272,549
Total Governmental Funds	<u>1,084,233</u>	<u>738,174</u>	<u>604,445</u>	<u>(11,064)</u>	<u>1,206,898</u>
Proprietary Funds					
Water	174,137	233,862	229,434	11,064	189,629
Garbage	38,042	89,653	87,479		40,216
Sewer	63,189	29,498	13,640		79,047
Total Proprietary Funds	<u>275,368</u>	<u>353,013</u>	<u>330,553</u>	<u>11,064</u>	<u>308,892</u>
Total Primary Government	<u>\$ 1,359,601</u>	<u>\$ 1,091,187</u>	<u>\$ 934,998</u>	<u>\$</u>	<u>\$ 1,515,790</u>

CITY OF WILTON
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 12-31-14	Issued 2015	Retired 2015	Balance 12-31-15	Principal Due In 2016	Interest Due In 2016
Refunding Improvement Bonds of 2013	1-3%	6/18/2013	5/1/2027	\$ 805,000	\$ 745,000	\$	\$ 65,000	\$ 680,000	\$ 60,000	\$ 14,390
Refunding Improvement Bonds of 2014	1-2.6%	6/18/2014	5/1/2027	1,225,000	<u>1,225,000</u> <u>1,970,000</u>	<u> </u>	<u>90,000</u> <u>155,000</u>	<u>1,135,000</u> <u>1,815,000</u>	<u>85,000</u> <u>145,000</u>	<u>22,853</u> <u>37,243</u>
Water and Sewer Revenue Bonds of 2006	4.50%	12/15/2006	5/1/2026	150,000	<u>110,000</u> <u>2,080,000</u>	<u> </u>	<u>5,000</u> <u>160,000</u>	<u>105,000</u> <u>1,920,000</u>	<u>5,000</u> <u>150,000</u>	<u>4,613</u> <u>41,856</u>
Capital Lease John Deere Loader Lease	4.80%	4/20/2012	5/20/2017	57,550	<u>36,169</u>	<u> </u>	<u>11,643</u>	<u>24,526</u>	<u>12,081</u>	<u>1,177</u>
					<u>\$ 2,116,169</u>	<u>\$</u>	<u>\$ 171,643</u>	<u>\$ 1,944,526</u>	<u>\$ 162,081</u>	<u>\$ 43,033</u>

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

To the City Commission
City of Wilton
Wilton, North Dakota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Wilton, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Wilton's basic financial statements and have issued our report thereon dated March 8, 2021. Our report disclosed that, as described in Note 1 to the financial statements, the City prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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 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 did identify certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2015-001, 2015-002, 2015-004, 2015-005, and 2015-007 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2015-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2015-005 and 2015-006.

City's Response to Findings

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

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.
Thief River Falls, Minnesota

March 8, 2021

CITY OF WILTON
SCHEDULE OF FINDINGS
DECEMBER 31, 2015

2015-001 FINDING

Criteria

The City is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with the modified cash basis of accounting.

Condition

During our audit, adjusting journal entries were proposed in order to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Cause

The City's internal controls have not been designed to address the specific training needs that are required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Effect

An appropriate system of internal controls is not present to make a determination that the general ledger accounts are properly adjusted in compliance with the modified cash basis of accounting.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. We recommend that the City reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally.

Views of Responsible Officials and Planned Corrective Actions

The City will post all necessary entries going forward before the audit.

2015-002 FINDING

Criteria

Generally, a system of internal control contemplates separation of duties that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition

Lack of sufficient segregation of duties.

Cause

Size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting that could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

The areas should be reviewed periodically and consideration given to improving segregation of duties.

Views of Responsible Officials and Planned Corrective Actions

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

CITY OF WILTON
SCHEDULE OF FINDINGS – CONTINUED
DECEMBER 31, 2015

2015-003 FINDING

Criteria

An appropriate system of internal controls requires the City to prepare financial statements in compliance with the modified cash basis of accounting.

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Commissioners. However, the City currently does not prepare the financial statements, including the accompanying note disclosures, as required by the modified cash basis of accounting. 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 with the preparation of the financial statements for efficiency.

Effect

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

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 to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

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

2015-004 FINDING

Criteria

An appropriate system of internal controls should prevent and detect underbilled water utility.

Condition

The City underbilled for their water consumption.

Cause

The City does not have proper controls in place to prevent and detect underbilled water.

Effect

The City is purchasing more water than it is selling.

Recommendation

We recommend the City implement the proper controls to prevent and detect the under billing of water.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will implement proper controls over water billing.

CITY OF WILTON
SCHEDULE OF FINDINGS – CONTINUED
DECEMBER 31, 2015

2015-005 FINDING

Criteria

North Dakota Century Code 54-52-01 states that member's earnings do "not include fringe benefits" for the State's Public Employees Retirement System's (NDPERS).

Condition

The City was including ineligible earnings in their calculation for NDPERS disbursements.

Cause

The City was unaware that fringe benefits needed to be deducted from member earnings.

Effect

The City is not in compliance with North Dakota Century Code requirements.

Recommendation

We recommend the City review the eligible members' earnings when calculating their NDPERS disbursements.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will correct eligible member earnings to be in compliance with North Dakota Century Code.

2015-006 FINDING

Criteria

North Dakota Century Code 40-40-06 requires the governing body to "set a public budget hearing date no earlier than September 7th and no later than October 7th for the purpose of adopting the final budget and making the annual tax levy."

Condition

During the fiscal year 2015, the City did not hold a public budget hearing.

Cause

The City has not implemented policies and procedures to ensure the City holds a public budget hearing as required by North Dakota Century Code.

Effect

The City is not in compliance with North Dakota Century Code requirements.

Recommendation

We recommend the City implement policies and procedures to ensure there is a public budget hearing conducted in accordance with North Dakota Century Code 40-40-06.

Views of Responsible Officials and Planned Corrective Actions

The City will implement procedures to be in compliance with North Dakota Century Code requirements.

CITY OF WILTON
SCHEDULE OF FINDINGS – CONTINUED
DECEMBER 31, 2015

2015-007 FINDING

Criteria

A good system of internal controls includes a system to review and monitor sales and cost of sales.

Condition

The garbage cost of sales margin was less than the expected cost of sales margin.

Cause

Size and budget constraints limiting the number of personnel within the accounting department.

Effect

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

Recommendation

The City should review the cost of sales margin on a timely basis.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will review the cost of sales margin.

CITY OF WILTON
CORRECTIVE ACTION PLAN
DECEMBER 31, 2015

2015-001 FINDING

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan - Will obtain internal expertise to handle all aspects of external financial reporting when it becomes economically feasible.

Completion Date - Ongoing

2015-002 FINDING

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan - The City has the following procedures to mitigate the risk:

- 1) City Council approves the vendor disbursements.
- 2) A City Council member reviews the bank statement and bank reconciliation on a monthly basis.

Completion Date - Ongoing

2015-003 FINDING

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan – Will establish policy to document review of financial statements and notes.

Completion Date – Ongoing

2015-004 FINDING

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan – Will establish controls to monitor water billing.

Completion Date – Immediately

2015-005 FINDING

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan – Will correct eligible member earnings to be in compliance with North Dakota Century Code.

Completion Date – Immediately

CITY OF WILTON
CORRECTIVE ACTION PLAN - CONTINUED
DECEMBER 31, 2015

2015-006 FINDING

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan – Will implement procedures to be in compliance with North Dakota Century Code requirements.

Completion Date – Immediately

2015-007 FINDING

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan – Will review the cost of sales margin on a timely basis.

Completion Date – Immediately