

**CITY OF WILTON
WILTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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CITY OF WILTON
CITY OFFICIALS
DECEMBER 31, 2020

President of Commission

LeeAnn Domonoske-Kellar

Commissioner

John Clausen

Commissioner

Lisa Hedstrom

Commissioner

William Kary

Commissioner

Jim Schacher

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, 2020, 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, 2020, 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.

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 listing of city officials, 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.

The listing of city officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Wilton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

January 7, 2022

CITY OF WILTON
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2020

| | Governmental Activities | Business-type Activities | Total |
|---------------------------|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,261,290 | \$ 404,230 | \$ 1,665,520 |
| Investments | 80,000 | 37,117 | 117,117 |
| Accounts Receivable | | 36,623 | 36,623 |
| | <u>1,341,290</u> | <u>477,970</u> | <u>1,819,260</u> |
| TOTAL ASSETS | | | |
| NET POSITION | | | |
| Restricted for: | | | |
| Memorial Hall | 6,667 | | 6,667 |
| Soo Depot | 4,022 | | 4,022 |
| Debt Service | 374,917 | | 374,917 |
| Special Revenue | 639,428 | | 639,428 |
| Unrestricted | 316,256 | 477,970 | 794,226 |
| | <u>1,341,290</u> | <u>477,970</u> | <u>1,819,260</u> |
| TOTAL NET POSITION | <u>\$ 1,341,290</u> | <u>\$ 477,970</u> | <u>\$ 1,819,260</u> |

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

| 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 | \$ 287,873 | \$ | \$ 212,014 | \$ (75,859) | \$ | \$ (75,859) |
| Public Safety | 90,260 | | | (90,260) | | (90,260) |
| Public Works | 94,387 | 7,276 | 54,567 | (32,544) | | (32,544) |
| Culture and Recreation | 11,062 | 2,776 | | (8,286) | | (8,286) |
| Economic Development | 45,700 | | | (45,700) | | (45,700) |
| Principal | 169,992 | | | (169,992) | | (169,992) |
| Interest and Fees | 35,035 | | | (35,035) | | (35,035) |
| Total Governmental Activities: | 734,309 | 10,052 | 266,581 | (457,676) | | (457,676) |
| Business-Type Activities: | | | | | | |
| Water | 246,802 | 265,151 | | | 18,349 | 18,349 |
| Garbage | 88,040 | 101,341 | | | 13,301 | 13,301 |
| Sewer | 37,889 | 48,796 | | | 10,907 | 10,907 |
| Total Business-Type Activities: | 372,731 | 415,288 | | | 42,557 | 42,557 |
| Total Primary Government: | \$ 1,107,040 | \$ 425,340 | \$ 266,581 | (457,676) | 42,557 | (415,119) |
| General Revenues | | | | | | |
| Taxes: | | | | | | |
| Property taxes | | | | 167,794 | | 167,794 |
| Sales taxes | | | | 146,247 | | 146,247 |
| Special Assessments | | | | 132,197 | | 132,197 |
| Earnings on Investments | | | | 6,105 | 1,157 | 7,262 |
| Miscellaneous | | | | 33,268 | 1,803 | 35,071 |
| Transfers | | | | (14,020) | 14,020 | |
| Total general revenues and transfers | | | | 471,591 | 16,980 | 488,571 |
| Change in net position | | | | 13,915 | 59,537 | 73,452 |
| Net Position, Beginning | | | | 1,327,375 | 418,433 | 1,745,808 |
| Net Position, Ending | | | | \$ 1,341,290 | \$ 477,970 | \$ 1,819,260 |

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
DECEMBER 31, 2020

| | General | Sales Tax | 2007-1 Street | 2007-2 Street | Highway | Public Property Specials | 2021 Improvement | Equipment | Total Governmental Funds |
|----------------------------|-------------------|-------------------|-------------------|-------------------|------------------|--------------------------------|---------------------|------------------|--------------------------------|
| ASSETS | | | | | | | | | |
| Cash and Cash Equivalents | \$ 307,603 | \$ 588,976 | \$ 44,649 | \$ 250,268 | \$ 31,988 | \$ 18,464 | \$ 495 | \$ 18,847 | \$ 1,261,290 |
| Investments | | | 80,000 | | | | | | 80,000 |
| TOTAL ASSETS | <u>\$ 307,603</u> | <u>\$ 588,976</u> | <u>\$ 124,649</u> | <u>\$ 250,268</u> | <u>\$ 31,988</u> | <u>\$ 18,464</u> | <u>\$ 495</u> | <u>\$ 18,847</u> | <u>\$ 1,341,290</u> |
| FUND BALANCES | | | | | | | | | |
| Restricted for: | | | | | | | | | |
| Memorial Hall | \$ 6,667 | | | | | | | | \$ 6,667 |
| Soo Depot | 4,022 | | | | | | | | 4,022 |
| Debt Service | | | 124,649 | 250,268 | | | | | 374,917 |
| Special Revenue | | 588,976 | | | 31,988 | 18,464 | | | 639,428 |
| Assigned for: | | | | | | | | | |
| Capital Outlays | | | | | | | 495 | 18,847 | 19,342 |
| Unassigned | 296,914 | | | | | | | | 296,914 |
| TOTAL FUND BALANCES | <u>\$ 307,603</u> | <u>\$ 588,976</u> | <u>\$ 124,649</u> | <u>\$ 250,268</u> | <u>\$ 31,988</u> | <u>\$ 18,464</u> | <u>\$ 495</u> | <u>\$ 18,847</u> | <u>\$ 1,341,290</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, 2020

| | General | Sales Tax | 2007-1 Street | 2007-2 Street | Highway | Public Property Specials | 2021 Improvement | Equipment | Total Governmental Funds |
|---|-------------------|-------------------|-------------------|-------------------|------------------|--------------------------------|---------------------|------------------|--------------------------------|
| REVENUE | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property | \$ 167,794 | | | | | | | | \$ 167,794 |
| Sales | | 146,247 | | | | | | | 146,247 |
| Special Assessments | | | 43,888 | 88,309 | | | | | 132,197 |
| Licenses, Permits, and Fees | 6,820 | | | | | | | | 6,820 |
| Intergovernmental: | | | | | | | | | |
| Federal | 60,173 | | | | | | | | 60,173 |
| State | 142,941 | | | | 54,567 | | | | 197,508 |
| Charges for Services | 10,052 | | | | | | | | 10,052 |
| Fines | 2,080 | | | | | | | | 2,080 |
| Earnings on Investments | 2,333 | | 1,033 | 2,450 | 103 | 150 | | 36 | 6,105 |
| Miscellaneous | 32,043 | | | | 225 | | | 1,000 | 33,268 |
| TOTAL REVENUE | 424,236 | 146,247 | 44,921 | 90,759 | 54,895 | 150 | | 1,036 | 762,244 |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| General Government | 271,471 | | | | | | 10 | | 271,481 |
| Public Safety | 90,260 | | | | | | | | 90,260 |
| Public Works | 39,598 | | | | 28,789 | | | | 68,387 |
| Culture and Recreation | 11,062 | | | | | | | | 11,062 |
| Economic Development | | 45,700 | | | | | | | 45,700 |
| Debt Service: | | | | | | | | | |
| Principal | | | 60,000 | 95,000 | 14,992 | | | | 169,992 |
| Interest and Fees | | | 11,485 | 18,866 | 4,684 | | | | 35,035 |
| Capital Outlay: | | | | | | | | | |
| General Government | 2,138 | 14,254 | | | | | | | 16,392 |
| Public Works | 26,000 | | | | | | | | 26,000 |
| TOTAL EXPENDITURES | 440,529 | 59,954 | 71,485 | 113,866 | 48,465 | | 10 | | 734,309 |
| Excess of Revenues Over (Under) Expenditures | (16,293) | 86,293 | (26,564) | (23,107) | 6,430 | 150 | (10) | 1,036 | 27,935 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Transfers In | 26,000 | | | | 3,676 | | 505 | | 30,181 |
| Transfers Out | (18,201) | (26,000) | | | | | | | (44,201) |
| TOTAL OTHER FINANCING SOURCES (USES) | 7,799 | (26,000) | | | 3,676 | | 505 | | (14,020) |
| Net Change in Fund Balances | (8,494) | 60,293 | (26,564) | (23,107) | 10,106 | 150 | 495 | 1,036 | 13,915 |
| Fund Balances, Beginning | 316,097 | 528,683 | 151,213 | 273,375 | 21,882 | 18,314 | | 17,811 | 1,327,375 |
| Fund Balances, Ending | <u>\$ 307,603</u> | <u>\$ 588,976</u> | <u>\$ 124,649</u> | <u>\$ 250,268</u> | <u>\$ 31,988</u> | <u>\$ 18,464</u> | <u>\$ 495</u> | <u>\$ 18,847</u> | <u>\$ 1,341,290</u> |

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
DECEMBER 31, 2020

| | Water | Garbage | Sewer | Totals |
|---------------------------|-------------------|------------------|-------------------|-------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 221,156 | \$ 57,859 | \$ 125,215 | \$ 404,230 |
| Investments | 37,117 | | | 37,117 |
| Accounts Receivable | 20,272 | 11,497 | 4,854 | 36,623 |
| TOTAL ASSETS | 278,545 | 69,356 | 130,069 | 477,970 |
| NET POSITION | | | | |
| Unrestricted | 278,545 | 69,356 | 130,069 | 477,970 |
| TOTAL NET POSITION | \$ 278,545 | \$ 69,356 | \$ 130,069 | \$ 477,970 |

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, 2020

| | <u>Water</u> | <u>Garbage</u> | <u>Sewer</u> | <u>Totals</u> |
|-------------------------------------|-------------------|------------------|-------------------|-------------------|
| Operating Revenues | | | | |
| Charges for Services | \$ 265,151 | \$ 101,341 | \$ 48,796 | \$ 415,288 |
| Total Operating Revenues | <u>265,151</u> | <u>101,341</u> | <u>48,796</u> | <u>415,288</u> |
| Operating Expenses | | | | |
| Salaries | 16,720 | 8,689 | 15,081 | 40,490 |
| Operation and Maintenance | 214,162 | 79,351 | 22,808 | 316,321 |
| Supplies | 1,900 | | | 1,900 |
| Total Operating Expenses | <u>232,782</u> | <u>88,040</u> | <u>37,889</u> | <u>358,711</u> |
| Operating Income | 32,369 | 13,301 | 10,907 | 56,577 |
| Nonoperating Income (Expense) | | | | |
| Interest Income | 1,157 | | | 1,157 |
| Principal | (10,000) | | | (10,000) |
| Interest Expense | (4,020) | | | (4,020) |
| Other Income | 1,803 | | | 1,803 |
| Total Nonoperating Income (Expense) | <u>(11,060)</u> | | | <u>(11,060)</u> |
| Net Income Before Transfers | <u>21,309</u> | <u>13,301</u> | <u>10,907</u> | <u>45,517</u> |
| Other Financing Sources | | | | |
| Transfers In | 14,020 | | | 14,020 |
| Total Other Financing Sources | <u>14,020</u> | | | <u>14,020</u> |
| Change in Net Position | 35,329 | 13,301 | 10,907 | 59,537 |
| Net Position, Beginning | <u>243,216</u> | <u>56,055</u> | <u>119,162</u> | <u>418,433</u> |
| Net Position, Ending | <u>\$ 278,545</u> | <u>\$ 69,356</u> | <u>\$ 130,069</u> | <u>\$ 477,970</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, 2020

| | Water | Garbage | Sewer | Totals |
|--|-------------------|------------------|-------------------|-------------------|
| Cash Flows From Operating Activities: | | | | |
| Receipts from Customers | \$ 267,252 | \$ 99,648 | \$ 49,003 | \$ 415,903 |
| Payments to Suppliers | (216,062) | (79,351) | (22,808) | (318,221) |
| Payments to Employees | (16,720) | (8,689) | (15,081) | (40,490) |
| Net Cash Provided By Operating Activities | 34,470 | 11,608 | 11,114 | 57,192 |
| Cash Flows From Noncapital Financing Activities: | | | | |
| Transfers from Other Funds | 14,020 | | | 14,020 |
| Net Cash Provided By Noncapital Financing Activities | 14,020 | | | 14,020 |
| Cash Flows From Capital And Related Financing Activities: | | | | |
| Principal Paid on Bonds | (10,000) | | | (10,000) |
| Interest Paid on Bonds | (4,020) | | | (4,020) |
| Net Cash Used By Capital And Related Financing Activities | (14,020) | | | (14,020) |
| Cash Flows From Investing Activities: | | | | |
| Interest | 1,157 | | | 1,157 |
| Sale of Investments | (387) | | | (387) |
| Net Cash Provided By Investing Activities | 770 | | | 770 |
| Net Increase In Cash | 35,240 | 11,608 | 11,114 | 57,962 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 185,916 | 46,251 | 114,101 | 346,268 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 221,156 | \$ 57,859 | \$ 125,215 | \$ 404,230 |
| Reconciliation of Operating Income to Net Cash | | | | |
| Provided by Operating Activities: | | | | |
| Operating Income | \$ 32,369 | \$ 13,301 | \$ 10,907 | \$ 56,577 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | | |
| Other Income | 1,803 | | | 1,803 |
| Effects on Operating Cash Flows Due to Changes In: | | | | |
| Accounts Receivable | 298 | (1,693) | 207 | (1,188) |
| Total Adjustments | 2,101 | (1,693) | 207 | 615 |
| Net Cash Provided by Operating Activities | \$ 34,470 | \$ 11,608 | \$ 11,114 | \$ 57,192 |

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category-governmental and proprietary-are represented. 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.

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 payments of, special assessments on city owned property.

2021 Improvement Fund. This fund accounts for the resources to be used for the city's capital improvement project.

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.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

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.

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.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

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."

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.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

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 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.

All annual appropriations lapse at year-end.

Budget Amendments

The City's governing board did not amend the budgets during the year ended December 31, 2020.

Excess of Actual Expenditures Over Budget

During the year ended December 31, 2020, expenditures exceeded budget in the Highway Fund and Sales Tax Fund by \$3,952 and \$49,954, respectively. No remedial action is anticipated or required by the City regarding these excess expenditures.

NOTE 3 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

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

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, 2020, 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. \$1,559,709 of the City's deposits are covered by pledged securities held in the City's name as of December 31, 2020.

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.

As of December 31, 2020, 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 4 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.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

NOTE 5 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

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 salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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, 2020, the City reported a net pension liability of \$385,293 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the Employer's proportion was 0.0122 percent, which is a decrease of 0.0017 percent from its proportion measured at June 30, 2019. There was no net pension 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|------------------------------------|
| Inflation | 2.25% |
| Salary Increases: | 3.5% to 17.75% including inflation |
| Investment rate of return | 7.00%, net of investment expenses |
| Cost-of-living adjustments | None |

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|--------------------------|---|
| Domestic Equity | 30% | 6.30% |
| International Equity | 21% | 6.85% |
| Private Equity | 7% | 9.75% |
| Domestic Fixed Income | 23% | 1.25% |
| Global Real Assets | 19% | 5.01% |

Discount Rate

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

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

Pension Plan Fiduciary Net Position

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

NOTE 6 OTHER POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

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

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

At December 31, 2020, the Employer reported a liability of \$9,969 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the Employer's proportion was 0.0119 percent, which was a decrease of 0.0011 from its proportion measured as of June 30, 2019. There was no net OPEB 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 OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|-----------------------------------|
| Inflation | 2.25% |
| Salary increases | Not applicable |
| Investment rate of return | 6.50%, net of investment expenses |
| Cost-of-living adjustments | None |

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

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC’s target asset allocation as of July 1, 2020 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Large Cap Domestic Equities | 33% | 6.10% |
| Small Cap Domestic Equities | 6% | 7.00% |
| Domestic Fixed Income | 40% | 1.15% |
| International Equities | 21% | 6.45% |

Discount rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 7 CAPITAL LEASES

The City entered into a lease agreement as lessee for financing the acquisition of a loader in 2019. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The cost of the loader acquired through capital lease is \$103,495. This lease is payable over 6 years at an interest rate of 5.45%. There were no capital assets reported on the City’s financial statements as they are reporting on the modified cash basis.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2020, are as follows:

| <u>Year Ending December 31</u> | |
|---|------------------|
| 2021 | \$ 19,676 |
| 2022 | 19,676 |
| 2023 | 19,676 |
| 2024 | <u>19,676</u> |
| Total minimum lease payments | 78,704 |
| Less: amount representing interest | <u>(9,877)</u> |
| Present value of minimum lease payments | <u>\$ 68,827</u> |

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

NOTE 8 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, 2020, the following changes occurred in long-term debt:

Summary of Long-Term Liabilities

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-------------------------------------|------------------------------|-----------------------------|-------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Refunding Improvement Bonds of 2013 | \$ 435,000 | \$ | \$ 60,000 | \$ 375,000 | \$ 60,000 |
| Refunding Improvement Bonds of 2014 | <u>795,000</u> | <u> </u> | <u>95,000</u> | <u>700,000</u> | <u>105,000</u> |
| Total Bonds | 1,230,000 | <u> </u> | 155,000 | 1,075,000 | 165,000 |
| John Deere Capital Lease | 83,819 | <u> </u> | 14,992 | 68,827 | 15,830 |
| Total Governmental Activities | <u>\$ 1,313,819</u> | <u>\$</u> | <u>\$ 169,992</u> | <u>\$ 1,143,827</u> | <u>\$ 180,830</u> |
| Business-Type Activities: | | | | | |
| Water and Sewer Revenue Bonds 2006 | \$ <u>70,000</u> | <u>\$</u> | <u>\$ 10,000</u> | <u>\$ 60,000</u> | <u>\$ 10,000</u> |
| Total Business-Type Activities | <u>\$ 70,000</u> | <u>\$</u> | <u>\$ 10,000</u> | <u>\$ 60,000</u> | <u>\$ 10,000</u> |

Interest and fees paid by governmental activities for the year ended December 31, 2020 was \$35,035. Interest and fees paid by business-type activities for the year ended December 31, 2020 was \$4,020.

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

| Governmental Funds | | |
|----------------------------|---------------------|------------------|
| Year Ending December 31 | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 165,000 | \$ 25,080 |
| 2022 | 160,000 | 21,665 |
| 2023 | 155,000 | 17,885 |
| 2024 | 155,000 | 13,855 |
| 2025 | 150,000 | 9,890 |
| 2026-2027 | <u>290,000</u> | <u>7,940</u> |
| Total | <u>\$ 1,075,000</u> | <u>\$ 96,315</u> |

| Proprietary Funds | | |
|----------------------------|------------------|-----------------|
| Year Ending December 31 | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 10,000 | \$ 2,475 |
| 2022 | 10,000 | 2,025 |
| 2023 | 10,000 | 1,575 |
| 2024 | 10,000 | 1,125 |
| 2025 | 10,000 | 675 |
| 2026 | <u>10,000</u> | <u>225</u> |
| Total | <u>\$ 60,000</u> | <u>\$ 8,100</u> |

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

NOTE 9 INTERFUND TRANSFERS

The composition of interfund transfers as of December 31, 2020, is as follows:

| Transfer In | Transfer Out | Amount |
|------------------|--------------|-----------|
| Water | General | \$ 14,020 |
| Highway | General | 3,676 |
| General | Sales Tax | 26,000 |
| 2021 Improvement | General | 505 |

The purpose of the transfers are to cover a debt service payment, capital lease payment, opening a new bank account, and an equipment purchase.

NOTE 10 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, 2020.

NOTE 11 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of Wilton pays an annual premium to NDRIF for its general insurance coverage. The coverage by NDRIF 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.

NOTE 12 RECENT PRONOUNCEMENTS

The City will implement the following recent pronouncements for fiscal years ending after December 31, 2020:

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.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

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-entity 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 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.

CITY OF WILTON
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Original and Final Budgeted Amounts | Actual Amounts | Over (Under) Final Budget |
|--|---|-------------------|------------------------------|
| REVENUES | | | |
| Taxes | \$ | \$ 167,794 | \$ 167,794 |
| Licenses, Permits, and Fees | 9,690 | 6,820 | (2,870) |
| Intergovernmental - Federal | | 60,173 | 60,173 |
| Intergovernmental - State | 118,900 | 142,941 | 24,041 |
| Charges for Services | 12,820 | 10,052 | (2,768) |
| Fines | 2,000 | 2,080 | 80 |
| Earnings on Investments | 3,050 | 2,333 | (717) |
| Miscellaneous | 6,500 | 32,043 | 25,543 |
| TOTAL REVENUES | <u>152,960</u> | <u>424,236</u> | <u>271,276</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | 313,552 | 271,471 | (42,081) |
| Public Safety | 92,000 | 90,260 | (1,740) |
| Public Works | 33,554 | 39,598 | 6,044 |
| Culture and Recreation | 12,820 | 11,062 | (1,758) |
| Debt Service: | | | |
| Principal | 12,500 | | (12,500) |
| Interest and Fees | 3,600 | | (3,600) |
| Capital Outlay: | | | |
| General Government | 1,000 | 2,138 | 1,138 |
| Public Works | | 26,000 | 26,000 |
| TOTAL EXPENDITURES | <u>469,026</u> | <u>440,529</u> | <u>(28,497)</u> |
| Excess of Revenues Over (Under) Expenditures | (316,066) | (16,293) | 299,773 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | | 26,000 | 26,000 |
| Transfers Out | | (18,201) | (18,201) |
| TOTAL OTHER FINANCING SOURCES (USES) | | <u>7,799</u> | <u>7,799</u> |
| Net Change in Fund Balances | (316,066) | (8,494) | 307,572 |
| Fund Balances, Beginning | <u>316,097</u> | <u>316,097</u> | |
| Fund Balances, Ending | <u>\$ 31</u> | <u>\$ 307,603</u> | <u>\$ 307,572</u> |

CITY OF WILTON
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Original and Final Budgeted Amounts | Actual Amounts | Over (Under) Final Budget |
|--------------------------------------|---|-------------------|------------------------------|
| REVENUES | | | |
| Taxes | \$ 63,000 | \$ 146,247 | \$ 83,247 |
| TOTAL REVENUES | 63,000 | 146,247 | 83,247 |
| EXPENDITURES | | | |
| Current: | | | |
| Economic Development | | 45,700 | 45,700 |
| Other - Requests | 10,000 | | (10,000) |
| Capital Outlay: | | | |
| General Government | | 14,254 | 14,254 |
| TOTAL EXPENDITURES | 10,000 | 59,954 | 49,954 |
| Excess of Revenues Over Expenditures | 53,000 | 86,293 | 33,293 |
| OTHER FINANCING USES | | | |
| Transfers Out | | (26,000) | (26,000) |
| TOTAL OTHER FINANCING USES | | (26,000) | (26,000) |
| Net Change in Fund Balances | 53,000 | 60,293 | 7,293 |
| Fund Balances - Beginning | 528,683 | 528,683 | |
| Fund Balances - Ending | \$ 581,683 | \$ 588,976 | \$ 7,293 |

CITY OF WILTON
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Original and Final Budgeted Amounts | Actual Amounts | Over (Under) Final Budget |
|--------------------------------------|---|-------------------|------------------------------|
| REVENUES | | | |
| Intergovernmental - State | \$ 45,000 | \$ 54,567 | \$ 9,567 |
| Earnings on Investments | 45 | 103 | 58 |
| Miscellaneous | | 225 | 225 |
| | <u>45,045</u> | <u>54,895</u> | <u>9,850</u> |
| TOTAL REVENUES | | | |
| EXPENDITURES | | | |
| Current: | | | |
| Public Works | 25,513 | 28,789 | 3,276 |
| Debt Service: | | | |
| Principal | 19,000 | 14,992 | (4,008) |
| Interest and Fees | | 4,684 | 4,684 |
| | <u>44,513</u> | <u>48,465</u> | <u>3,952</u> |
| TOTAL EXPENDITURES | | | |
| Excess of Revenues Over Expenditures | 532 | 6,430 | 5,898 |
| OTHER FINANCING SOURCES | | | |
| Transfers In | | 3,676 | 3,676 |
| TOTAL OTHER FINANCING SOURCES | | <u>3,676</u> | <u>3,676</u> |
| Net Change in Fund Balances | 532 | 10,106 | 9,574 |
| Fund Balances - Beginning | <u>21,882</u> | <u>21,882</u> | |
| Fund Balances - Ending | <u>\$ 22,414</u> | <u>\$ 31,988</u> | <u>\$ 9,574</u> |

CITY OF WILTON
SCHEDULE OF CHANGES IN FUND BALANCES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Balance Beginning of Year | Revenues | Expenditures | Transfers | Balance End of Year |
|---------------------------------------|---------------------------------|---------------------|---------------------|-----------------|------------------------|
| Governmental Funds | | | | | |
| General | | | | | |
| Restricted for: | | | | | |
| Memorial Hall | \$ 10,480 | \$ 22 | \$ 3,835 | | \$ 6,667 |
| Soo Depot | 4,023 | | 1 | | 4,022 |
| Unassigned | 301,594 | 424,214 | 436,693 | 7,799 | 296,914 |
| Total General Fund | <u>316,097</u> | <u>424,236</u> | <u>440,529</u> | <u>7,799</u> | <u>307,603</u> |
| Highway | | | | | |
| Restricted | 21,882 | 54,895 | 48,465 | 3,676 | 31,988 |
| Sales Tax - Restricted | 528,683 | 146,247 | 59,954 | (26,000) | 588,976 |
| Public Property Specials - Restricted | 18,314 | 150 | | | 18,464 |
| Equipment - Assigned | 17,811 | 1,036 | | | 18,847 |
| 2021 Improvement - Assigned | | | 10 | 505 | 495 |
| 2007-1 Street - Restricted | 151,213 | 44,921 | 71,485 | | 124,649 |
| 2007-2 Street - Restricted | <u>273,375</u> | <u>90,759</u> | <u>113,866</u> | | <u>250,268</u> |
| Total Governmental Funds | <u>1,327,375</u> | <u>762,244</u> | <u>734,309</u> | <u>(14,020)</u> | <u>1,341,290</u> |
| Proprietary Funds | | | | | |
| Water | 243,216 | 268,111 | 246,802 | 14,020 | 278,545 |
| Garbage | 56,055 | 101,341 | 88,040 | | 69,356 |
| Sewer | <u>119,162</u> | <u>48,796</u> | <u>37,889</u> | | <u>130,069</u> |
| Total Proprietary Funds | <u>418,433</u> | <u>418,248</u> | <u>372,731</u> | <u>14,020</u> | <u>477,970</u> |
| Total Primary Government | <u>\$ 1,745,808</u> | <u>\$ 1,180,492</u> | <u>\$ 1,107,040</u> | <u>\$</u> | <u>\$ 1,819,260</u> |

CITY OF WILTON
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Interest Rate</u> | <u>Date of Issue</u> | <u>Maturity Dates</u> | <u>Amount of Issue</u> | <u>Balance 12-31-19</u> | <u>Issued 2020</u> | <u>Retired 2020</u> | <u>Balance 12-31-20</u> | <u>Principal Due In 2021</u> | <u>Interest Due In 2021</u> |
|---------------------------------------|----------------------|----------------------|-----------------------|------------------------|-------------------------|--------------------|---------------------|-------------------------|------------------------------|-----------------------------|
| Refunding Improvement Bonds of 2013 | 2-3% | 6/18/2013 | 5/1/2027 | \$ 805,000 | \$ 435,000 | \$ | \$ 60,000 | \$ 375,000 | \$ 60,000 | \$ 9,190 |
| Refunding Improvement Bonds of 2014 | 2-2.6% | 6/18/2014 | 5/1/2027 | 1,225,000 | 795,000 | | 95,000 | 700,000 | 105,000 | 15,890 |
| | | | | | <u>1,230,000</u> | | <u>155,000</u> | <u>1,075,000</u> | <u>165,000</u> | <u>25,080</u> |
| Water and Sewer Revenue Bonds of 2006 | 4.50% | 12/15/2006 | 5/1/2026 | 150,000 | 70,000 | | 10,000 | 60,000 | 10,000 | 2,475 |
| | | | | | <u>1,300,000</u> | | <u>165,000</u> | <u>1,135,000</u> | <u>175,000</u> | <u>27,555</u> |
| Capital Lease John Deere Loader Lease | 5.45% | 4/12/2019 | 5/12/2024 | 103,495 | 83,819 | | 14,992 | 68,827 | 15,830 | 3,846 |
| | | | | | <u>\$ 1,383,819</u> | <u>\$</u> | <u>\$ 179,992</u> | <u>\$ 1,203,827</u> | <u>\$ 190,830</u> | <u>\$ 31,401</u> |

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, 2020, 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 January 7, 2022. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 have not been 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 significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2020-001 and 2020-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2020-002 and 2020-003 to be significant deficiencies.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City'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

January 7, 2022

CITY OF WILTON
SCHEDULE OF FINDINGS
DECEMBER 31, 2020

2020-001 FINDING

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause

The City is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of 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

We recommend the City review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The commission should constantly be aware of this condition. Compensating controls that mitigate the related risks could be:

- Bank statements and bank reconciliations being reviewed monthly.
- The City Commissioners approving all disbursements.
- All journal entries being reviewed.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will implement immediately.

CITY OF WILTON
SCHEDULE OF FINDINGS – CONTINUED
DECEMBER 31, 2020

2020-002 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 not allocate resources for the preparation of the financial statements.

Effect

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

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.

2020-003 FINDING

Criteria

A good system of internal controls includes a system designed to reconcile utility accounts receivable balances.

Condition

The City's utility accounts receivable balances are not being reconciled to the aged account balances.

Cause

The City does not have the internal control system designed to compare aged account balances to reconciliations.

Effect

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

Recommendation

The City should reconcile accounts receivable balances on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will review reconciliation procedures.

CITY OF WILTON
SCHEDULE OF FINDINGS – CONTINUED
DECEMBER 31, 2020

2020-004 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.

The City has underpaid the garbage contractor due to an error in calculating the number of standard residential units. The City reported and paid the number of standard residential customers with a single unit of service, and missed three customers with multiple service units, so the City underpaid the garbage contractor.

Cause

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

Effect

The City has under paid the garbage contractor.

Recommendation

The City should contact the garbage contractor and resolve any billing errors. The City should monitor sales and cost of sales on a timely basis.

Views of Responsible Officials and Planned Corrective Actions

The City agrees with the recommendation and will contact the garbage contractor and resolve any billing errors. The City will also monitor sales and cost of sales on a timely basis.

CITY OF WILTON
CORRECTIVE ACTION PLAN
DECEMBER 31, 2020

2020-001 FINDING

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan - The City will implement the following controls to mitigate the risk:

- 1) City Commission will approve all disbursements.
- 2) The City will have a City Commissioner or the President review the bank statements and bank reconciliations on a monthly basis.
- 3) The City will have a City Commissioner or the President review all journal entries.

Completion Date - Immediately

2020-002 FINDING

Contact Person – Pattie Solberg, City Auditor

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

Completion Date – Ongoing

2020-003 FINDING

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan – The City will reconcile accounts receivable to the aged account balances monthly.

Completion Date – Immediately

2020-004 FINDING

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan – The City will contact the garbage contractor and resolve any billing errors. The City will monitor sales and cost of sales on a timely basis.

Completion Date – Immediately