

**CITY OF WILTON  
WILTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

## TABLE OF CONTENTS

	Pages
<b>CITY OFFICIALS .....</b>	<b>1</b>
<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>2-4</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis .....	5
Statement of Activities – Modified Cash Basis .....	6
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds – Modified Cash Basis .....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Modified Cash Basis .....	8
Statement of Net Position – Proprietary Funds – Modified Cash Basis .....	9
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds – Modified Cash Basis .....	10
Statement of Cash Flows – Proprietary Funds – Modified Cash Basis .....	11
Notes to the Financial Statements .....	12-28
<b>SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule – Modified Cash Basis – General Fund.....	29
Budgetary Comparison Schedule – Modified Cash Basis – Sales Tax Fund.....	30
Budgetary Comparison Schedule – Modified Cash Basis – Highway Fund.....	31
Schedule of Changes in Fund Balances and Changes in Net Position .....	32
Schedule of Indebtedness .....	33
<b>INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....</b>	<b>34-35</b>
<b>INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE .....</b>	<b>36-38</b>
Schedule of Expenditures of Federal Awards .....	39

## TABLE OF CONTENTS

Notes to Schedule of Expenditures of Federal Awards .....	40
Schedule of Findings and Questioned Costs .....	41-46
Summary Schedule of Prior Audit Findings.....	47-49
Corrective Action Plan .....	50-51

**CITY OF WILTON**  
**CITY OFFICIALS**  
**DECEMBER 31, 2022**

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 Audit of the Financial Statements

#### ***Opinions***

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

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, 2022, 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 for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Wilton, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Basis for 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.

#### ***Responsibilities of Management 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 Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary 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 as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, schedule of indebtedness, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024, 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**

March 22, 2024

**CITY OF WILTON**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2022**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,256,519	\$ 491,672	\$ 1,748,191
Investments	111,868	98,249	210,117
Accounts Receivable	<u>                    </u>	<u>43,138</u>	<u>43,138</u>
TOTAL ASSETS	<u>\$ 1,368,387</u>	<u>\$ 633,059</u>	<u>\$ 2,001,446</u>
NET POSITION			
Restricted for:			
Memorial Hall	\$ 6,264	\$	\$ 6,264
Soo Depot	1,816		1,816
Debt Service	329,580		329,580
Sales Tax	522,005		522,005
Highway	40,298		40,298
Public Property Specials	18,532		18,532
ARPA	103,629		103,629
Unrestricted	<u>346,263</u>	<u>633,059</u>	<u>979,322</u>
TOTAL NET POSITION	<u>\$ 1,368,387</u>	<u>\$ 633,059</u>	<u>\$ 2,001,446</u>

SEE NOTES TO THE FINANCIAL STATEMENTS



**CITY OF WILTON**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 273,602	\$	\$ 223,906	\$	\$ (49,696)	\$	\$ (49,696)
Public Safety	97,437				(97,437)		(97,437)
Public Works	1,027,679	8,608	53,825	1,051,350	86,104		86,104
Culture and Recreation	14,782	5,468			(9,314)		(9,314)
Principal	176,714				(176,714)		(176,714)
Interest and Fees	26,917				(26,917)		(26,917)
Total Governmental Activities:	1,617,131	14,076	277,731	1,051,350	(273,974)		(273,974)
Business-Type Activities:							
Water	470,960	239,534				(231,426)	(231,426)
Garbage	110,888	107,725				(3,163)	(3,163)
Sewer	18,120	50,001				31,881	31,881
Total Business-Type Activities:	599,968	397,260				(202,708)	(202,708)
Total Primary Government:	\$ 2,217,099	\$ 411,336	\$ 277,731	\$ 1,051,350	(273,974)	(202,708)	(476,682)
General Revenues							
Taxes:							
Property taxes					185,352		185,352
Sales taxes					159,506		159,506
Earnings on Investments					2,814	557	3,371
Miscellaneous					27,889	70,247	98,136
Sale of Assets					11,000		11,000
Debt Issue					105,883		105,883
Transfers					(257,995)	257,995	
Total general revenues and transfers					234,449	328,799	563,248
Change in net position					(39,525)	126,091	86,566
Net Position, Beginning					1,407,912	506,968	1,914,880
Net Position, Ending					\$ 1,368,387	\$ 633,059	\$ 2,001,446

SEE NOTES TO THE FINANCIAL STATEMENTS

**CITY OF WILTON**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2022**

	General	Sales Tax	2007-1 Street	2007-2 Street	Highway	Public Property Specials	ARPA	2021 Improvement	Equipment	Total Governmental Funds
<b>ASSETS</b>										
Cash and Cash Equivalents	\$ 234,592	\$ 522,005	\$ 51,687	\$ 196,727	\$ 40,298	\$ 18,532	\$ 103,629	\$ 71,239	\$ 17,810	\$ 1,256,519
Investments	<u>30,702</u>		<u>81,166</u>							<u>111,868</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>265,294</u></b>	<b>\$ <u>522,005</u></b>	<b>\$ <u>132,853</u></b>	<b>\$ <u>196,727</u></b>	<b>\$ <u>40,298</u></b>	<b>\$ <u>18,532</u></b>	<b>\$ <u>103,629</u></b>	<b>\$ <u>71,239</u></b>	<b>\$ <u>17,810</u></b>	<b>\$ <u>1,368,387</u></b>
<b>FUND BALANCES</b>										
Restricted for:										
Memorial Hall	\$ 6,264									\$ 6,264
Soo Depot	1,816									1,816
Debt Service			132,853	196,727						329,580
Special Revenue		522,005			40,298	18,532	103,629			684,464
Assigned for:										
Capital Outlays								71,239	17,810	89,049
Unassigned	<u>257,214</u>									<u>257,214</u>
<b>TOTAL FUND BALANCES</b>	<b>\$ <u>265,294</u></b>	<b>\$ <u>522,005</u></b>	<b>\$ <u>132,853</u></b>	<b>\$ <u>196,727</u></b>	<b>\$ <u>40,298</u></b>	<b>\$ <u>18,532</u></b>	<b>\$ <u>103,629</u></b>	<b>\$ <u>71,239</u></b>	<b>\$ <u>17,810</u></b>	<b>\$ <u>1,368,387</u></b>

SEE NOTES TO THE FINANCIAL STATEMENTS

**CITY OF WILTON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED**  
**CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	General	Sales Tax	2007-1 Street	2007-2 Street	Highway	Public Property Specials	ARPA	2021 Improvement	Equipment	Total Governmental Funds
<b>REVENUE</b>										
Taxes:										
Property	\$ 185,352	\$	\$	\$	\$	\$	\$	\$	\$	185,352
Sales		159,506								159,506
Special Assessments			54,377	92,211						146,588
Licenses, Permits, and Fees	5,820									5,820
Intergovernmental:										
Federal							56,997	904,762		961,759
State	157,568				53,825					211,393
Charges for Services	14,076									14,076
Fines	3,521									3,521
Earnings on Investments	1,248		371	826		22	331		16	2,814
Miscellaneous	27,889									27,889
<b>TOTAL REVENUE</b>	<b>395,474</b>	<b>159,506</b>	<b>54,748</b>	<b>93,037</b>	<b>53,825</b>	<b>22</b>	<b>57,328</b>	<b>904,762</b>	<b>16</b>	<b>1,718,718</b>
<b>EXPENDITURES</b>										
Current:										
General Government	269,663					1	3,377			273,041
Public Safety	97,437									97,437
Public Works	42,439				38,774		6,565			87,778
Culture and Recreation	14,782									14,782
Debt Service:										
Principal			55,000	105,000	16,714					176,714
Interest and Fees			8,970	14,985	2,962					26,917
Capital Outlay:										
General Government	561									561
Public Works								939,901		939,901
<b>TOTAL EXPENDITURES</b>	<b>424,882</b>		<b>63,970</b>	<b>119,985</b>	<b>58,450</b>	<b>1</b>	<b>9,942</b>	<b>939,901</b>		<b>1,617,131</b>
Excess of Revenues Over (Under) Expenditures	(29,408)	159,506	(9,222)	(26,948)	(4,625)	21	47,386	(35,139)	16	101,587
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers In	37,903									37,903
Transfers Out	(13,120)	(270,706)							(12,072)	(295,898)
Sale of Assets									11,000	11,000
Debt Issue								105,883		105,883
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>24,783</b>	<b>(270,706)</b>						<b>105,883</b>	<b>(1,072)</b>	<b>(141,112)</b>
Net Change in Fund Balances	(4,625)	(111,200)	(9,222)	(26,948)	(4,625)	21	47,386	70,744	(1,056)	(39,525)
Fund Balances, Beginning	269,919	633,205	142,075	223,675	44,923	18,511	56,243	495	18,866	1,407,912
Fund Balances, Ending	<u>\$ 265,294</u>	<u>\$ 522,005</u>	<u>\$ 132,853</u>	<u>\$ 196,727</u>	<u>\$ 40,298</u>	<u>\$ 18,532</u>	<u>\$ 103,629</u>	<u>\$ 71,239</u>	<u>\$ 17,810</u>	<u>\$ 1,368,387</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**CITY OF WILTON**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2022**

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS				
Cash and Cash Equivalents	\$ 230,588	\$ 40,821	\$ 220,263	\$ 491,672
Investments	98,249			98,249
Accounts Receivable	<u>21,617</u>	<u>10,309</u>	<u>11,212</u>	<u>43,138</u>
TOTAL ASSETS	<u>350,454</u>	<u>51,130</u>	<u>231,475</u>	<u>633,059</u>
NET POSITION				
Unrestricted	<u>350,454</u>	<u>51,130</u>	<u>231,475</u>	<u>633,059</u>
TOTAL NET POSITION	<u>\$ 350,454</u>	<u>\$ 51,130</u>	<u>\$ 231,475</u>	<u>\$ 633,059</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, 2022**

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues				
Charges for Services	\$ 239,534	\$ 107,725	\$ 50,001	\$ 397,260
Total Operating Revenues	<u>239,534</u>	<u>107,725</u>	<u>50,001</u>	<u>397,260</u>
Operating Expenses				
Salaries	23,706	10,610	17,652	51,968
Operation and Maintenance	428,820	100,278	468	529,566
Supplies	5,314			5,314
Total Operating Expenses	<u>457,840</u>	<u>110,888</u>	<u>18,120</u>	<u>586,848</u>
Operating Income (Loss)	(218,306)	(3,163)	31,881	(189,588)
Nonoperating Income (Expense)				
Interest Income	557			557
Principal	(10,000)			(10,000)
Interest Expense	(3,120)			(3,120)
Other Income	34,097		36,150	70,247
Total Nonoperating Income (Expense)	<u>21,534</u>	<u></u>	<u>36,150</u>	<u>57,684</u>
Net Income (Expense) Before Transfers	<u>(196,772)</u>	<u>(3,163)</u>	<u>68,031</u>	<u>(131,904)</u>
Other Financing Sources				
Transfers In	257,995			257,995
Total Other Financing Sources	<u>257,995</u>	<u></u>	<u></u>	<u>257,995</u>
Change in Net Position	61,223	(3,163)	68,031	126,091
Net Position, Beginning	<u>289,231</u>	<u>54,293</u>	<u>163,444</u>	<u>506,968</u>
Net Position, Ending	<u>\$ 350,454</u>	<u>\$ 51,130</u>	<u>\$ 231,475</u>	<u>\$ 633,059</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, 2022**

	Water	Garbage	Sewer	Totals
Cash Flows From Operating Activities:				
Receipts from Customers	\$ 273,172	\$ 107,742	\$ 79,592	\$ 460,506
Payments to Suppliers	(434,134)	(100,278)	(468)	(534,880)
Payments to Employees	(23,706)	(10,610)	(17,652)	(51,968)
Net Cash Provided (Used) By Operating Activities	<u>(184,668)</u>	<u>(3,146)</u>	<u>61,472</u>	<u>(126,342)</u>
Cash Flows From Noncapital Financing Activities:				
Transfers from Other Funds	<u>257,995</u>			<u>257,995</u>
Net Cash Provided By Noncapital Financing Activities	<u>257,995</u>			<u>257,995</u>
Cash Flows From Capital And Related Financing Activities:				
Principal Paid on Bonds	(10,000)			(10,000)
Interest Paid on Bonds	(3,120)			(3,120)
Net Cash Used By Capital And Related Financing Activities	<u>(13,120)</u>			<u>(13,120)</u>
Cash Flows From Investing Activities:				
Interest	557			557
Sale of Investments	4,955			4,955
Net Cash Provided By Investing Activities	<u>5,512</u>			<u>5,512</u>
Net Increase (Decrease) In Cash	65,719	(3,146)	61,472	124,045
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>164,869</u>	<u>43,967</u>	<u>158,791</u>	<u>367,627</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 230,588</u>	<u>\$ 40,821</u>	<u>\$ 220,263</u>	<u>\$ 491,672</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (218,306)	\$ (3,163)	\$ 31,881	\$ (189,588)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Other Income	34,097		36,150	70,247
Effects on Operating Cash Flows Due to Changes In:				
Accounts Receivable	(459)	17	(6,559)	(7,001)
Total Adjustments	<u>33,638</u>	<u>17</u>	<u>29,591</u>	<u>63,246</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (184,668)</u>	<u>\$ (3,146)</u>	<u>\$ 61,472</u>	<u>\$ (126,342)</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

**CITY OF WILTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**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, 2022**

**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.

*ARPA Fund.* This fund accounts for the resources and payments of American Rescue Plan Act funds.

*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, 2022**

**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, 2022**

**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, 2022**

**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, excluding the ARPA 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, 2022.

**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 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.

**CITY OF WILTON**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2022**

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, 2022, 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. \$1,748,322 of the City's deposits are covered by pledged securities held in the City's name as of December 31, 2022.

**Credit Risk**

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

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (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, 2022, the City had no investments other than CDs valued at \$210,117.

**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, 2022**

**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. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

Members 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, 2022**

**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. Employer contribution rates increase by 1% beginning January 1, 2024.

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

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

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

At December 31, 2022, the City reported a net pension liability of \$349,237 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The



**CITY OF WILTON**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2022**

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, 2022, the Employer's proportion was 0.0121 percent, which is an increase of 0.0004 percent from its proportion measured at June 30, 2021. 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, 2022 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	5.10%, net of investment expenses
Cost-of-living adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	5.75%
International Equity	21%	6.45%
Private Equity	7%	9.20%
Domestic Fixed Income	23%	0.34%
Global Real Assets	19%	4.35%

**Discount Rate**

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

**CITY OF WILTON**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2022**

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

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

**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.



**CITY OF WILTON**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2022**

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

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

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

At December 31, 2022, the Employer reported a liability of \$11,413 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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, 2022, the Employer's proportion was 0.0095 percent, which was an increase of 0.0011 from its proportion measured as of June 30, 2021. 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, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

**CITY OF WILTON**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2022**

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad U.S. Equity	39%	5.75%
International Equities	26%	6.00%
Core-Plus Fixed Income	35%	0.22%

#### **Discount rate**

The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. 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 FINANCED PURCHASE**

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, 2022, are as follows:

**CITY OF WILTON**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2022**

Year Ending December 31	
2023	\$ 19,676
2024	19,676
Total minimum lease payments	39,352
Less: amount representing interest	(3,069)
Present value of minimum lease payments	<u>\$ 36,283</u>

**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, 2022, the following changes occurred in long-term debt:

**Summary of Long-Term Liabilities**

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Refunding Improvement Bonds of 2013	\$ 315,000	\$	\$ 55,000	\$ 260,000	\$ 55,000
Refunding Improvement Bonds of 2014	595,000		105,000	490,000	100,000
Total Bonds	910,000		160,000	750,000	155,000
John Deere Financed Purchase	52,997		16,714	36,283	17,648
Total Governmental Activities	<u>\$ 962,997</u>	<u>\$</u>	<u>\$ 176,714</u>	<u>\$ 786,283</u>	<u>\$ 172,648</u>
Business-Type Activities:					
Water and Sewer Revenue Bonds 2006	\$ 50,000	\$	\$ 10,000	\$ 40,000	\$ 10,000
Water and Sewer Revenue Bond, Series A		52,715 *		52,715	
Water and Sewer Revenue Bond, Series B		53,168 *		53,168	
Total Business-Type Activities	<u>\$ 50,000</u>	<u>\$ 105,883</u>	<u>\$ 10,000</u>	<u>\$ 145,883</u>	<u>\$ 10,000</u>

Interest and fees paid by governmental activities for the year ended December 31, 2022 was \$26,917. Interest and fees paid by business-type activities for the year ended December 31, 2022 was \$3,120.

\*Project is being completed through the 2021 Improvement Capital Project Fund, this is the water and sewer portion.

**CITY OF WILTON**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2022**

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

Governmental Funds		
Year Ending December 31	Principal	Interest
2023	\$ 155,000	\$ 17,885
2024	155,000	13,855
2025	150,000	9,890
2026	145,000	5,955
2027	145,000	1,985
Total	<u>\$ 750,000</u>	<u>\$ 49,570</u>

**Revenue Bonds**

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The Water fund had net revenues, excluding interest, of \$60,666 that exceeded the annual payments from the pledged revenue for debt of \$10,000. The original amount of revenue bonds issued in prior years was \$150,000. During the year ended December 31, 2022, the City authorized the issuance of \$105,883 in revenue bonds to finance the 2021 Improvement Project. Revenue bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Maturity Dates	Amount
Proprietary Fund - Refunding	4.50%	2023/26	\$ 40,000
Proprietary Fund	1.50%	2023/53	105,883
			<u>\$ 145,883</u>

The 2021 Improvement Project has not been completed, there is no principal due until the debt has been issued in full.

Annual debt service requirements to maturity for revenue bonds are as follows:

Proprietary Funds		
Year Ending December 31	Principal	Interest
2023	\$ 10,000	\$ 1,575
2024	10,000	1,125
2025	10,000	675
2026	10,000	225
Total	<u>\$ 40,000</u>	<u>\$ 3,600</u>

**CITY OF WILTON**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2022**

**NOTE 9 INTERFUND TRANSFERS**

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Water	General	\$ 13,120
General	Equipment	12,072
Water	Sales Tax	244,875
General	Sales Tax	25,831
		<u>\$ 295,898</u>

The purpose of the transfers are to cover a debt service payment, an equipment purchase, and requests from Sales Tax Fund.

**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, 2022.

**NOTE 11 COMMITTED CONSTRUCTION**

At December 31, 2022, the City had approximately \$5,683,000 in committed construction for an Infrastructure Improvement project.

**NOTE 12 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.

**NOTE 13 RECENT PRONOUNCEMENTS**

The City will implement the following recent pronouncements for fiscal years ending after December 31, 2022:

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information

**CITY OF WILTON**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2022**

technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.



**CITY OF WILTON**  
**NOTES TO THE FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2022**

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

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

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management has not yet determined 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, 2022**

	Original and Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget
<b>REVENUES</b>			
Taxes	\$	\$ 185,352	\$ 185,352
Licenses, Permits, and Fees	10,290	5,820	(4,470)
Intergovernmental - State	133,350	157,568	24,218
Charges for Services	8,700	14,076	5,376
Fines	1,800	3,521	1,721
Earnings on Investments	1,000	1,248	248
Miscellaneous	9,300	27,889	18,589
<b>TOTAL REVENUES</b>	<u>164,440</u>	<u>395,474</u>	<u>231,034</u>
<b>EXPENDITURES</b>			
Current:			
General Government	264,512	269,663	5,151
Public Safety	97,438	97,437	(1)
Public Works	31,161	42,439	11,278
Culture and Recreation	18,333	14,782	(3,551)
Debt Service:			
Principal	12,500		(12,500)
Interest and Fees	3,000		(3,000)
Capital Outlay:			
General Government	1,000	561	(439)
<b>TOTAL EXPENDITURES</b>	<u>427,944</u>	<u>424,882</u>	<u>(3,062)</u>
Excess of Revenues Over (Under) Expenditures	(263,504)	(29,408)	234,096
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In		37,903	37,903
Transfers Out		(13,120)	(13,120)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<u>24,783</u>	<u>24,783</u>
Net Change in Fund Balances	(263,504)	(4,625)	258,879
Fund Balances, Beginning	<u>269,919</u>	<u>269,919</u>	
Fund Balances, Ending	\$ <u>6,415</u>	\$ <u>265,294</u>	\$ <u>258,879</u>



**CITY OF WILTON**  
**BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – SALES TAX FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget
REVENUES			
Taxes	\$ 117,699	\$ 159,506	\$ 41,807
TOTAL REVENUES	117,699	159,506	41,807
EXPENDITURES			
Current:			
Public Works	50,000		(50,000)
Economic Development	55,000		(55,000)
Other - Requests	4,500		(4,500)
Capital Outlay	40,000		(40,000)
TOTAL EXPENDITURES	149,500		(149,500)
Excess of Revenues Over (Under) Expenditures	(31,801)	159,506	191,307
OTHER FINANCING USES			
Transfers Out		(270,706)	(270,706)
TOTAL OTHER FINANCING USES		(270,706)	(270,706)
Net Change in Fund Balances	(31,801)	(111,200)	(79,399)
Fund Balances - Beginning	633,205	633,205	
Fund Balances - Ending	\$ 601,404	\$ 522,005	\$ (79,399)

**CITY OF WILTON**  
**BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – HIGHWAY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget
REVENUES			
Intergovernmental - State	\$ 50,000	\$ 53,825	\$ 3,825
TOTAL REVENUES	50,000	53,825	3,825
EXPENDITURES			
Current:			
Public Works	45,219	38,774	(6,445)
Debt Service:			
Principal	16,714	16,714	
Interest and Fees	2,962	2,962	
TOTAL EXPENDITURES	64,895	58,450	(6,445)
Net Change in Fund Balances	(14,895)	(4,625)	10,270
Fund Balances - Beginning	44,923	44,923	
Fund Balances - Ending	\$ 30,028	\$ 40,298	\$ 10,270

**CITY OF WILTON**  
**SCHEDULE OF CHANGES IN FUND BALANCES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Sale of Assets	Debt Issue	Balance End of Year
Governmental Funds							
General							
Restricted for:							
Memorial Hall	\$ 6,262	\$ 2	\$	\$	\$	\$	\$ 6,264
Soo Depot	4,066	3,345	5,595				1,816
Unassigned	259,591	392,127	419,287	24,783			257,214
Total General Fund	<u>269,919</u>	<u>395,474</u>	<u>424,882</u>	<u>24,783</u>			<u>265,294</u>
Highway							
Restricted	44,923	53,825	58,450				40,298
Sales Tax - Restricted	633,205	159,506		(270,706)			522,005
Public Property Specials - Restricted	18,511	22	1				18,532
ARPA - Restricted	56,243	57,328	9,942				103,629
Equipment - Assigned	18,866	16		(12,072)	11,000		17,810
2021 Improvement - Assigned	495	904,762	939,901			105,883	71,239
2007-1 Street - Restricted	142,075	54,748	63,970				132,853
2007-2 Street - Restricted	<u>223,675</u>	<u>93,037</u>	<u>119,985</u>				<u>196,727</u>
Total Governmental Funds	<u>1,407,912</u>	<u>1,718,718</u>	<u>1,617,131</u>	<u>(257,995)</u>	<u>11,000</u>	<u>105,883</u>	<u>1,368,387</u>
Proprietary Funds							
Water	289,231	274,188	470,960	257,995			350,454
Garbage	54,293	107,725	110,888				51,130
Sewer	<u>163,444</u>	<u>86,151</u>	<u>18,120</u>				<u>231,475</u>
Total Proprietary Funds	<u>506,968</u>	<u>468,064</u>	<u>599,968</u>	<u>257,995</u>			<u>633,059</u>
Total Primary Government	<u>\$ 1,914,880</u>	<u>\$ 2,186,782</u>	<u>\$ 2,217,099</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,001,446</u>

**CITY OF WILTON**  
**SCHEDULE OF INDEBTEDNESS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 12-31-21	Issued 2022	Retired 2022	Balance 12-31-22	Principal Due In 2023	Interest Due In 2023
Refunding Improvement Bonds of 2013	2.6-3%	6/18/2013	5/1/2027	\$ 805,000	\$ 315,000	\$	\$ 55,000	\$ 260,000	\$ 55,000	\$ 6,445
Refunding Improvement Bonds of 2014	2-2.6%	6/18/2014	5/1/2027	1,225,000	<u>595,000</u> 910,000		<u>105,000</u> 160,000	<u>490,000</u> 750,000	<u>100,000</u> 155,000	<u>11,440</u> 17,885
Water and Sewer Revenue Bonds of 2006	4.50%	12/15/2006	5/1/2026	150,000	50,000		10,000	40,000	10,000	1,575
Revenue Bond, Series A	1.50%	8/1/2022	9/1/2053	52,715		52,715		52,715		
Revenue Bond, Series B	1.50%	8/1/2022	9/1/2053	53,168		53,168		53,168		
					<u>50,000</u>	<u>105,883</u>	<u>10,000</u>	<u>145,883</u>	<u>10,000</u>	<u>1,575</u>
Capital Lease John Deere Loader Lease	5.45%	4/12/2019	5/12/2024	103,495	<u>52,997</u>		<u>16,714</u>	<u>36,283</u>	<u>17,648</u>	<u>2,028</u>
					<u>\$ 1,012,997</u>	<u>\$ 105,883</u>	<u>\$ 186,714</u>	<u>\$ 932,166</u>	<u>\$ 182,648</u>	<u>\$ 21,488</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, 2022, 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 22, 2024. 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.

### Report on 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness 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 a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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 and questioned costs as items 2022-002 and 2022-003 to be significant deficiencies.

## Report on 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

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 22, 2024

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

To the City Commission  
City of Wilton  
Wilton, North Dakota

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

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

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

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### ***Responsibilities of Management for Compliance***

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

## ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

## ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-004 and 2022-005. Our opinion on each major federal program is not modified with respect to these matters.

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



## Report on Internal Control over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-005 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-004 to be a significant deficiency.

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

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

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



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

March 22, 2024

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Amount
<u>U.S. Department of Treasury</u>		
Passed-Through Burleigh County, ND: COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	\$ 176,301
Passed-Through State of North Dakota: COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>9,942</u>
Total U.S. Department of Treasury		<u>186,243</u>
<u>U.S. Environmental Protection Agency</u>		
<i>Drinking Water State Revolving Fund Cluster:</i> Passed-Through State of North Dakota Public Facilities Authority: Drinking Water State Revolving Fund (pass-through number 0801031-01) <i>Total Drinking Water State Revolving Fund Cluster</i>	66.468	<u>53,168</u> <u>53,168</u>
Total U.S. Environmental Protection Agency		<u>53,168</u>
<u>U.S. Department of Defense</u>		
Direct Program: 594 Environmental Infrastructure Assistance Program (Agreement Number W59XQG01560792)	12.U01	<u>728,461</u>
Total U.S. Department of Defense		<u>728,461</u>
TOTAL FEDERAL AWARDS		\$ <u>967,872</u>

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CITY OF WILTON**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 INDIRECT COST RATE**

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

**NOTE 3 BASIS OF PRESENTATION**

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

**NOTE 4 SUBRECIPIENTS**

During the year ended December 31, 2022, the City did not pass any federal money to subrecipients.

**CITY OF WILTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2022**

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

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with the modified cash basis of accounting. The special purpose framework used as a basis of accounting was not required by state law:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

x yes    \_\_\_ no

Significant deficiency(ies) identified?

x yes    \_\_\_ none reported

Noncompliance material to financial statements noted?

\_\_\_ yes    x no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

x yes    \_\_\_ no

Significant deficiency(ies) identified?

x yes    \_\_\_ none reported

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

Unmodified

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

x yes    \_\_\_ no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
---------------------	---

12.U01	594 Environmental Infrastructure Assistance Program
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Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_ yes    x no

**CITY OF WILTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**  
**DECEMBER 31, 2022**

**Section II – Financial Statement Findings**

**2022-001 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.

Repeat Finding

Yes. Prior audit finding 2021-001.

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 review on an annual basis.

**CITY OF WILTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**  
**DECEMBER 31, 2022**

**2022-002 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.

Repeat Finding

Yes. Prior audit finding 2021-002.

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.

**CITY OF WILTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**  
**DECEMBER 31, 2022**

**2022-003 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.

Repeat Finding

Yes. Prior audit finding 2021-003.

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 AND QUESTIONED COSTS – CONTINUED**  
**DECEMBER 31, 2022**

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

**2022-004 Finding**

Federal Program

594 Environmental Infrastructure Assistance Program (12.U01)

Procurement, Suspension, and Debarment

Criteria

Per Uniform Guidance, “Non-federal entities other than states, including those operating federal programs as subrecipients of states, must follow the procurement standards set out at 2 CFR section 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirements identified in 2 CFR Part 200. Furthermore, “Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220.

Condition

During testing, we noted that the City does not have a procurement policy in place that follows Uniform Guidance. Also, we noted that the City entered into two covered transactions with vendors who were not reviewed for suspension and debarment before entering into these transactions.

Questioned Costs

None.

Context

The City does not have a procurement policy that follows Uniform Guidance. Also, we tested two vendors who were not reviewed for suspension and debarment from a population of two.

Cause

Management oversight.

Effect

The City is not in compliance with Uniform Guidance. Also, there is an increased risk of the City entering into a covered transaction with an entity that is suspended or debarred from receiving federal funds.

Repeat Finding

No.

Recommendation

The City should implement a written procurement policy that follows Uniform Guidance. Furthermore, vendors should be reviewed for suspension and debarment before entering into a covered transaction.

View of Responsible Officials

The City agrees with the recommendation.



**CITY OF WILTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**  
**DECEMBER 31, 2022**

**2022-005 Finding**

Federal Program

594 Environmental Infrastructure Assistance Program (12.U01)  
Reporting

Criteria

The Uniform Guidance states that an auditee must submit a data collection form and audit reporting package to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period.

Condition

The City's December 31, 2022 reporting package was not filed with the Federal Audit Clearinghouse within nine months of the City's year end.

Questioned Costs

None.

Context

The City's December 31, 2022 reporting package was not filed with the Federal Audit Clearinghouse within nine months of the City's year end.

Cause

Management oversight.

Effect

The City is not in compliance with Uniform Guidance reporting requirements.

Repeat Finding

No.

Recommendation

The City's audit should be completed within nine months of the fiscal year end to allow for timely submission of the data collection form and reporting package.

View of Responsible Officials

The City agrees with the recommendation.

**CITY OF WILTON**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**DECEMBER 31, 2022**

**2021-001 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.

Corrective Action Taken

No action taken. See current year finding 2022-001 and Corrective Action Plan.

**CITY OF WILTON**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – CONTINUED**  
**DECEMBER 31, 2022**

**2021-002 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.

Corrective Action Taken

No action taken. See current year finding 2022-002 and Corrective Action Plan.

**CITY OF WILTON**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – CONTINUED**  
**DECEMBER 31, 2022**

**2021-003 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.

Corrective Action Taken

No action taken. See current year finding 2022-003 and Corrective Action Plan.

**2021-004 FINDING**

Criteria

A good system of internal controls includes a system that includes approval of manual utility adjustments.

Condition

The City's manual utility adjustments are not being reviewed and approved.

Cause

The City does not have the internal control system designed to review and approve manual utility adjustments.

Effect

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

Recommendation

The City should implement internal controls to review and approve manual utility adjustments on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions

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

Corrective Action Taken

No issues noted during the year ended December 31, 2022. Finding has been resolved.

# *City of Wilton*

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WILTON, ND 58579  
PHONE: 734-6707 - FAX: 734-6708  
Web Site: [www.wiltonnd.org](http://www.wiltonnd.org)  
E-mail: [wiltonnd@bektel.com](mailto:wiltonnd@bektel.com)

## CORRECTIVE ACTION PLAN DECEMBER 31, 2022

### **2022-001 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

### **2022-002 FINDING**

Contact Person – Pattie Solberg, City Auditor

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

Completion Date – Ongoing

### **2022-003 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

### **2022-004 FINDING**

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan – The City will implement a written procurement policy that follows Uniform Guidance and will review vendors for suspension and debarment before entering into covered transactions.

Completion Date – April 30, 2024

# City of Wilton

P.O. BOX 278 - 121 DAKOTA AVE.  
WILTON, ND 58579  
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Web Site: [www.wiltonnd.org](http://www.wiltonnd.org)  
E-mail: [wiltonnd@bektel.com](mailto:wiltonnd@bektel.com)

## CORRECTIVE ACTION PLAN DECEMBER 31, 2022

### **2022-005 FINDING**

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan – The City will submit the financial reporting package to the Federal Audit Clearinghouse within the earlier of 30 days of receipt of the auditor's report or nine months after the end of the audit period.

Completion Date – April 30, 2024