

**CITY OF WILTON
WILTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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CITY OF WILTON
CITY OFFICIALS
DECEMBER 31, 2023

President of Commission	LeeAnn Domonoske-Kellar
Commissioner	John Clausen
Commissioner	Lisa Hedstrom
Commissioner	William Kary
Commissioner	Jim Schacher
Auditor	Pattie Solberg

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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, 2023, 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, 2023, 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 September 12, 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

September 12, 2024

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CITY OF WILTON
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,547,502	\$ 686,783	\$ 2,234,285
Investments	112,785	99,444	212,229
Accounts Receivable	<u>43,825</u>	<u>43,825</u>	<u>43,825</u>
TOTAL ASSETS	\$ <u>1,660,287</u>	\$ <u>830,052</u>	\$ <u>2,490,339</u>
NET POSITION			
Restricted for:			
Memorial Hall	\$ 6,283	\$	\$ 6,283
Soo Depot	1,816		1,816
Debt Service	288,993		288,993
Sales Tax	691,649		691,649
Highway	51,961		51,961
Public Property Specials	18,605		18,605
ARPA	104,656		104,656
Centennial Funds	3,996		3,996
Unrestricted	<u>492,328</u>	<u>830,052</u>	<u>1,322,380</u>
TOTAL NET POSITION	\$ <u>1,660,287</u>	\$ <u>830,052</u>	\$ <u>2,490,339</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

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	\$ 291,122	\$	\$ 1,889,473	\$	\$ 1,598,351	\$	\$ 1,598,351
Public Safety	103,284				(103,284)		(103,284)
Public Works	3,799,425	6,983	73,242	1,503,587	(2,215,613)		(2,215,613)
Culture and Recreation	17,242	8,843			(8,399)		(8,399)
Economic Development	354				(354)		(354)
Principal	178,960				(178,960)		(178,960)
Interest and Fees	23,767				(23,767)		(23,767)
Total Governmental Activities:	4,414,154	15,826	1,962,715	1,503,587	(932,026)		(932,026)
Business-Type Activities:							
Water	189,921	214,240				24,319	24,319
Garbage	107,332	109,026				1,694	1,694
Sewer	16,435	47,883				31,448	31,448
Total Business-Type Activities:	313,688	371,149				57,461	57,461
Total Primary Government:	\$ 4,727,842	\$ 386,975	\$ 1,962,715	\$ 1,503,587	(932,026)	57,461	(874,565)
General Revenues							
Taxes:							
Property taxes					189,323		189,323
Sales taxes					179,644		179,644
Earnings on Investments					6,658	1,378	8,036
Miscellaneous					22,450	125,484	147,934
Debt Issue					838,521		838,521
Transfers					(12,670)	12,670	
Total general revenues and transfers					1,223,926	139,532	1,363,458
Change in net position					291,900	196,993	488,893
Net Position, Beginning					1,368,387	633,059	2,001,446
Net Position, Ending					\$ 1,660,287	\$ 830,052	\$ 2,490,339

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
DECEMBER 31, 2023

	General	Sales Tax	2007-1 Street	2007-2 Street	Highway	Public Property Specials	ARPA	Centennial Funds	2021 Improvement	Equipment	Total Governmental Funds
ASSETS											
Cash and Cash Equivalents	\$ 259,107	\$ 691,649	\$ 29,375	\$ 178,106	\$ 51,961	\$ 18,605	\$ 104,656	\$ 3,996	\$ 192,230	\$ 17,817	\$ 1,547,502
Investments	<u>31,273</u>		<u>81,512</u>								<u>112,785</u>
TOTAL ASSETS	<u>\$ 290,380</u>	<u>\$ 691,649</u>	<u>\$ 110,887</u>	<u>\$ 178,106</u>	<u>\$ 51,961</u>	<u>\$ 18,605</u>	<u>\$ 104,656</u>	<u>\$ 3,996</u>	<u>\$ 192,230</u>	<u>\$ 17,817</u>	<u>\$ 1,660,287</u>
FUND BALANCES											
Restricted for:											
Memorial Hall	\$ 6,283										\$ 6,283
Soo Depot	1,816										1,816
Debt Service			110,887	178,106							288,993
Special Revenue		691,649			51,961	18,605	104,656	3,996			870,867
Assigned for:											
Capital Outlays									192,230	17,817	210,047
Unassigned	<u>282,281</u>										<u>282,281</u>
TOTAL FUND BALANCES	<u>\$ 290,380</u>	<u>\$ 691,649</u>	<u>\$ 110,887</u>	<u>\$ 178,106</u>	<u>\$ 51,961</u>	<u>\$ 18,605</u>	<u>\$ 104,656</u>	<u>\$ 3,996</u>	<u>\$ 192,230</u>	<u>\$ 17,817</u>	<u>\$ 1,660,287</u>

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, 2023

	General	Sales Tax	2007-1 Street	2007-2 Street	Highway	Public Property Specials	ARPA	Centennial Funds	2021 Improvement	Equipment	Total Governmental Funds
REVENUE											
Taxes:											
Property	\$ 189,323		\$	\$	\$	\$	\$	\$	\$	\$	\$ 189,323
Sales		179,644									179,644
Special Assessments			40,061	92,207							132,268
Licenses, Permits, and Fees	8,103										8,103
Intergovernmental:											
Federal									1,371,319		1,371,319
State	265,019				73,242				1,614,231		1,952,492
Charges for Services	15,826										15,826
Fines	2,120										2,120
Earnings on Investments	3,331		513	1,707		73	1,027			7	6,658
Miscellaneous	18,100							4,350			22,450
TOTAL REVENUE	501,822	179,644	40,574	93,914	73,242	73	1,027	4,350	2,985,550	7	3,880,203
EXPENDITURES											
Current:											
General Government	291,122										291,122
Public Safety	103,284										103,284
Public Works	47,305	4,000			45,040						96,345
Culture and Recreation	17,242										17,242
Economic Development								354			354
Debt Service:											
Principal	11,113		55,000	100,000	12,847						178,960
Interest and Fees			7,540	12,535	3,692						23,767
Capital Outlay:											
Public Works									3,703,080		3,703,080
TOTAL EXPENDITURES	470,066	4,000	62,540	112,535	61,579			354	3,703,080		4,414,154
Excess of Revenues Over (Under) Expenditures	31,756	175,644	(21,966)	(18,621)	11,663	73	1,027	3,996	(717,530)	7	(533,951)
OTHER FINANCING SOURCES (USES)											
Transfers In	6,000										6,000
Transfers Out	(12,670)	(6,000)									(18,670)
Debt Issue									838,521		838,521
TOTAL OTHER FINANCING SOURCES (USES)	(6,670)	(6,000)							838,521		825,851
Net Change in Fund Balances	25,086	169,644	(21,966)	(18,621)	11,663	73	1,027	3,996	120,991	7	291,900
Fund Balances, Beginning	265,294	522,005	132,853	196,727	40,298	18,532	103,629		71,239	17,810	1,368,387
Fund Balances, Ending	\$ 290,380	\$ 691,649	\$ 110,887	\$ 178,106	\$ 51,961	\$ 18,605	\$ 104,656	\$ 3,996	\$ 192,230	\$ 17,817	\$ 1,660,287

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
DECEMBER 31, 2023

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS				
Cash and Cash Equivalents	\$ 328,124	\$ 40,986	\$ 317,673	\$ 686,783
Investments	99,444			99,444
Accounts Receivable	<u>21,262</u>	<u>11,838</u>	<u>10,725</u>	<u>43,825</u>
TOTAL ASSETS	<u>448,830</u>	<u>52,824</u>	<u>328,398</u>	<u>830,052</u>
NET POSITION				
Unrestricted	<u>448,830</u>	<u>52,824</u>	<u>328,398</u>	<u>830,052</u>
TOTAL NET POSITION	\$ <u>448,830</u>	\$ <u>52,824</u>	\$ <u>328,398</u>	\$ <u>830,052</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, 2023

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Totals</u>
Operating Revenues				
Charges for Services	\$ 214,240	\$ 109,026	\$ 47,883	\$ 371,149
Total Operating Revenues	<u>214,240</u>	<u>109,026</u>	<u>47,883</u>	<u>371,149</u>
Operating Expenses				
Salaries	17,132	8,210	15,337	40,679
Operation and Maintenance	158,245	99,072	157	257,474
Supplies	926	50		976
Total Operating Expenses	<u>176,303</u>	<u>107,332</u>	<u>15,494</u>	<u>299,129</u>
Operating Income	37,937	1,694	32,389	72,020
Nonoperating Income (Expense)				
Interest Income	1,378			1,378
Principal	(10,000)			(10,000)
Interest Expense	(3,618)		(941)	(4,559)
Other Income	60,009		65,475	125,484
Total Nonoperating Income (Expense)	<u>47,769</u>	<u></u>	<u>64,534</u>	<u>112,303</u>
Net Income Before Transfers	<u>85,706</u>	<u>1,694</u>	<u>96,923</u>	<u>184,323</u>
Other Financing Sources				
Transfers In	12,670			12,670
Total Other Financing Sources	<u>12,670</u>	<u></u>	<u></u>	<u>12,670</u>
Change in Net Position	98,376	1,694	96,923	196,993
Net Position, Beginning	<u>350,454</u>	<u>51,130</u>	<u>231,475</u>	<u>633,059</u>
Net Position, Ending	<u>\$ 448,830</u>	<u>\$ 52,824</u>	<u>\$ 328,398</u>	<u>\$ 830,052</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, 2023

	<u>Water</u>	<u>Garbage</u>	<u>Sewer</u>	<u>Totals</u>
Cash Flows From Operating Activities:				
Receipts from Customers	\$ 274,604	\$ 107,497	\$ 113,845	\$ 495,946
Payments to Suppliers	(159,171)	(99,122)	(157)	(258,450)
Payments to Employees	(17,132)	(8,210)	(15,337)	(40,679)
Net Cash Provided By Operating Activities	<u>98,301</u>	<u>165</u>	<u>98,351</u>	<u>196,817</u>
Cash Flows From Noncapital Financing Activities:				
Transfers from Other Funds	<u>12,670</u>			<u>12,670</u>
Net Cash Provided By Noncapital Financing Activities	<u>12,670</u>			<u>12,670</u>
Cash Flows From Capital And Related Financing Activities:				
Principal Paid on Bonds	(10,000)			(10,000)
Interest Paid on Bonds	(3,618)		(941)	(4,559)
Net Cash Used By Capital And Related Financing Activities	<u>(13,618)</u>		<u>(941)</u>	<u>(14,559)</u>
Cash Flows From Investing Activities:				
Interest	1,378			1,378
Sale of Investments	(1,195)			(1,195)
Net Cash Provided By Investing Activities	<u>183</u>			<u>183</u>
Net Increase In Cash	97,536	165	97,410	195,111
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>230,588</u>	<u>40,821</u>	<u>220,263</u>	<u>491,672</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>328,124</u>	\$ <u>40,986</u>	\$ <u>317,673</u>	\$ <u>686,783</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 37,937	\$ 1,694	\$ 32,389	\$ 72,020
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Other Income	60,009		65,475	125,484
Effects on Operating Cash Flows Due to Changes In:				
Accounts Receivable	355	(1,529)	487	(687)
Total Adjustments	<u>60,364</u>	<u>(1,529)</u>	<u>65,962</u>	<u>124,797</u>
Net Cash Provided by Operating Activities	\$ <u>98,301</u>	\$ <u>165</u>	\$ <u>98,351</u>	\$ <u>196,817</u>

SEE NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023

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.

Centennial Funds. This fund accounts for the resources for the City's centennial celebration.

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, 2023

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, 2023

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, 2023

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, 2023.

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
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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, 2023, 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. \$2,537,600 of the City's deposits are covered by pledged securities held in the City's name as of December 31, 2023.

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, 2023, the City had no investments other than CDs valued at \$212,229.

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, 2023

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.

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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

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 closure of the plan will be effective on 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.

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

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

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

At December 31, 2023, the City reported a net pension liability of \$248,976 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2023, the Employer's proportion was 0.0129 percent, which is an increase of 0.0007 percent from its proportion measured at June 30, 2022. 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.

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

Actuarial Assumptions

The total pension liability in the July 1, 2023 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	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the 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	30.90%	6.25%
International Equity	20.10%	6.95%
Private Equity	7.00%	9.45%
Domestic Fixed Income	23.00%	2.51%
Global Real Assets	19.00%	4.33%

Discount Rate

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

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

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

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.

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

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, 2023, the Employer reported a liability of \$10,945 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2023, the Employer's proportion was 0.0109 percent, which was an increase of 0.0014 from its proportion measured as of June 30, 2022. 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, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

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, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
S&P 500 Index	33%	5.50%
US Small Cap Equity	6%	7.65%
World Equity ex-US	26%	6.82%
US High Yield	3%	5.32%
Emerging Markets Debt	4%	6.25%
Core Fixed Income	28%	4.04%

Discount rate

The discount rate used to measure the total OPEB liability was 5.75%. 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 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, 2023, 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	\$ 260,000	\$	\$ 55,000	\$ 205,000	\$ 55,000
Refunding Improvement Bonds of 2014	490,000		100,000	390,000	100,000
Total Bonds	750,000		155,000	595,000	155,000
2019 John Deere Loader Financed Purchase	36,283		36,283 ^		
2023 John Deere Loader Financed Purchase		42,027	12,847	29,180	13,976
John Deere Utility Tractor Financed Purchase		48,653	11,113	37,540	8,440
Total Governmental Activities	\$ 786,283	\$ 90,680	\$ 215,243	\$ 661,720	\$ 177,416
Business-Type Activities:					
Water and Sewer Revenue Bonds 2006	\$ 40,000	\$	\$ 10,000	\$ 30,000	\$ 10,000
Water and Sewer Revenue Bond, Series A	52,715	537,102 *		589,817	
Water and Sewer Revenue Bond, Series B	53,168	301,419 *		354,587	
Total Business-Type Activities	\$ 145,883	\$ 838,521	\$ 10,000	\$ 974,404	\$ 10,000

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

Interest and fees paid by governmental activities for the year ended December 31, 2023 was \$23,767. Interest and fees paid by business-type activities for the year ended December 31, 2023 was \$4,559.

^ This financed purchase was paid off through acquisition of the new loader financed purchase.

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

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

Governmental Funds		
Year Ending December 31	Principal	Interest
2024	\$ 155,000	\$ 13,855
2025	150,000	9,890
2026	145,000	5,955
2027	145,000	1,985
Total	<u>\$ 595,000</u>	<u>\$ 31,685</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 \$96,748 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 \$255,883. During the year ended December 31, 2023, the City authorized the issuance of \$838,521 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%	2024/26	\$ 30,000
Proprietary Fund	1.50%	2024/53	944,404
			<u>\$ 974,404</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
2024	\$ 10,000	\$ 1,125
2025	10,000	675
2026	10,000	225
Total	<u>\$ 30,000</u>	<u>\$ 2,025</u>

CITY OF WILTON
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

Financed Purchase

The City entered into a finance purchase agreement as lessee for financing the acquisition of a loader and a tractor in 2023. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates. The cost of the loader acquired through capital lease is \$42,027. This lease is payable over 3 years at an interest rate of 8.45%. The cost of the tractor acquired through capital lease is \$48,653. This lease is payable over 5 years at an interest rate of 6.90%. There are no capital assets reported on the City's financial statements as they are reporting on the modified cash basis.

Annual debt service requirements to maturity for financed purchases are as follows:

Year Ending December 31	Principal	Interest
2024	\$ 22,416	\$ 5,238
2025	24,245	3,409
2026	9,685	1,429
2027	10,374	739
Total	<u>\$ 66,720</u>	<u>\$ 10,815</u>

NOTE 8 INTERFUND TRANSFERS

The composition of interfund transfers as of December 31, 2023, is as follows:

Transfer In	Transfer Out	Amount
Water	General	\$ 12,670
General	Sales Tax	6,000
		<u>\$ 18,670</u>

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

NOTE 9 CONTINGENCIES

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2023.

NOTE 10 COMMITTED CONSTRUCTION

At December 31, 2023, the City had approximately \$5,450,000 in committed construction for an Infrastructure Improvement project.

NOTE 11 RISK MANAGEMENT

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

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NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2023

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 12 RECENT PRONOUNCEMENTS

The City will implement the following recent pronouncements for fiscal years ending after December 31, 2023:

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

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

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

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, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget
REVENUES			
Taxes	\$	\$ 189,323	\$ 189,323
Licenses, Permits, and Fees	6,040	8,103	2,063
Intergovernmental - State	138,250	265,019	126,769
Charges for Services	14,300	15,826	1,526
Fines	1,500	2,120	620
Earnings on Investments	900	3,331	2,431
Miscellaneous	11,400	18,100	6,700
TOTAL REVENUES	<u>172,390</u>	<u>501,822</u>	<u>329,432</u>
EXPENDITURES			
Current:			
General Government	331,396	291,122	(40,274)
Public Safety	103,284	103,284	
Public Works	48,600	47,305	(1,295)
Culture and Recreation	24,000	17,242	(6,758)
Debt Service:			
Principal	10,000	11,113	1,113
Interest and Fees	3,500		(3,500)
Capital Outlay:			
General Government	1,000		(1,000)
TOTAL EXPENDITURES	<u>521,780</u>	<u>470,066</u>	<u>(51,714)</u>
Excess of Revenues Over (Under) Expenditures	(349,390)	31,756	381,146
OTHER FINANCING SOURCES (USES)			
Transfers In		6,000	6,000
Transfers Out		(12,670)	(12,670)
TOTAL OTHER FINANCING SOURCES (USES)		<u>(6,670)</u>	<u>(6,670)</u>
Net Change in Fund Balances	(349,390)	25,086	374,476
Fund Balances, Beginning	<u>265,294</u>	<u>265,294</u>	
Fund Balances, Ending	\$ <u>(84,096)</u>	\$ <u>290,380</u>	\$ <u>374,476</u>

CITY OF WILTON
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget
REVENUES			
Taxes	\$ 135,000	\$ 179,644	\$ 44,644
TOTAL REVENUES	<u>135,000</u>	<u>179,644</u>	<u>44,644</u>
EXPENDITURES			
Current:			
Economic Development	2,500		(2,500)
Infrastructure		4,000	4,000
Other - Requests	4,500		(4,500)
Capital Outlay	<u>15,000</u>		<u>(15,000)</u>
TOTAL EXPENDITURES	<u>22,000</u>	<u>4,000</u>	<u>(18,000)</u>
Excess of Revenues Over (Under) Expenditures	113,000	175,644	62,644
OTHER FINANCING USES			
Transfers Out		(6,000)	(6,000)
TOTAL OTHER FINANCING USES		<u>(6,000)</u>	<u>(6,000)</u>
Net Change in Fund Balances	113,000	169,644	56,644
Fund Balances - Beginning	<u>522,005</u>	<u>522,005</u>	
Fund Balances - Ending	<u>\$ 635,005</u>	<u>\$ 691,649</u>	<u>\$ 56,644</u>

CITY OF WILTON
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – HIGHWAY FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget
REVENUES			
Intergovernmental - State	\$ 49,000	\$ 73,242	\$ 24,242
TOTAL REVENUES	49,000	73,242	24,242
EXPENDITURES			
Current:			
Public Works	34,513	45,040	10,527
Debt Service:			
Principal	19,750	12,847	(6,903)
Interest and Fees	3,125	3,692	567
TOTAL EXPENDITURES	57,388	61,579	4,191
Net Change in Fund Balances	(8,388)	11,663	20,051
Fund Balances - Beginning	40,298	40,298	
Fund Balances - Ending	\$ 31,910	\$ 51,961	\$ 20,051

CITY OF WILTON
SCHEDULE OF CHANGES IN FUND BALANCES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Debt Issue	Balance End of Year
Governmental Funds						
General						
Restricted for:						
Memorial Hall	\$ 6,264	\$ 19	\$	\$	\$	\$ 6,283
Soo Depot	1,816					1,816
Unassigned	257,214	501,803	470,066	(6,670)		282,281
Total General Fund	<u>265,294</u>	<u>501,822</u>	<u>470,066</u>	<u>(6,670)</u>		<u>290,380</u>
Highway						
Restricted	40,298	73,242	61,579			51,961
Sales Tax - Restricted	522,005	179,644	4,000	(6,000)		691,649
Public Property Specials - Restricted	18,532	73				18,605
ARPA - Restricted	103,629	1,027				104,656
Centennial Funds - Restricted		4,350	354			3,996
Equipment - Assigned	17,810	7				17,817
2021 Improvement - Assigned	71,239	2,985,550	3,703,080		838,521	192,230
2007-1 Street - Restricted	132,853	40,574	62,540			110,887
2007-2 Street - Restricted	<u>196,727</u>	<u>93,914</u>	<u>112,535</u>			<u>178,106</u>
Total Governmental Funds	<u>1,368,387</u>	<u>3,880,203</u>	<u>4,414,154</u>	<u>(12,670)</u>	<u>838,521</u>	<u>1,660,287</u>
Proprietary Funds						
Water	350,454	275,627	189,921	12,670		448,830
Garbage	51,130	109,026	107,332			52,824
Sewer	<u>231,475</u>	<u>113,358</u>	<u>16,435</u>			<u>328,398</u>
Total Proprietary Funds	<u>633,059</u>	<u>498,011</u>	<u>313,688</u>	<u>12,670</u>		<u>830,052</u>
Total Primary Government	<u>\$ 2,001,446</u>	<u>\$ 4,378,214</u>	<u>\$ 4,727,842</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,490,339</u>

CITY OF WILTON
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 12-31-22	Issued 2023	Retired 2023	Balance 12-31-23	Principal Due In 2024	Interest Due In 2024
Refunding Improvement Bonds of 2013	2.6-3%	6/18/2013	5/1/2027	\$ 805,000	\$ 260,000	\$	\$ 55,000	\$ 205,000	\$ 55,000	\$ 5,015
Refunding Improvement Bonds of 2014	2-2.6%	6/18/2014	5/1/2027	1,225,000	<u>490,000</u> 750,000		<u>100,000</u> 155,000	<u>390,000</u> 595,000	<u>100,000</u> 155,000	<u>8,840</u> 13,855
Water and Sewer Revenue Bonds of 2006	4.50%	12/15/2006	5/1/2026	150,000	40,000		10,000	30,000	10,000	1,125
Revenue Bond, Series A	1.50%	8/1/2022	9/1/2053	52,715	52,715	537,102		589,817		
Revenue Bond, Series B	1.50%	8/1/2022	9/1/2053	53,168	<u>53,168</u>	<u>301,419</u>		<u>354,587</u>		
					145,883	838,521	10,000	974,404	10,000	1,125
Capital Lease 2019 John Deere Loader Financed Purchase	8.45%	1/5/2023	1/5/2026	42,027		42,027	12,847	29,180	13,976	2,564
2023 John Deere Loader Financed Purchase		4/12/2019		103,495	36,283		36,283			
John Deere Utility Tractor Financed Purchase	6.90%	10/12/2023	10/12/2027	48,653		48,653	11,113	37,540	8,440	2,674
					<u>36,283</u>	<u>90,680</u>	<u>60,243</u>	<u>66,720</u>	<u>22,416</u>	<u>5,238</u>
					\$ 932,166	\$ 929,201	\$ 225,243	\$ 1,636,124	\$ 187,416	\$ 20,218

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

To the City Commission
City of Wilton
Wilton, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Wilton, as of and for the year ended December 31, 2023, 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 September 12, 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 material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2023-004.

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

September 12, 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 the 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, 2023. 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, 2023.

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 2023-004 and 2023-005. 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 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.

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 a material weakness 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 2023-004 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-005 and 2023-006 to be significant deficiencies.

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

September 12, 2024

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CITY OF WILTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

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	\$ <u>490,365</u>
Total U.S. Department of Treasury		<u>490,365</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>301,419</u> <u>301,419</u>
Total U.S. Environmental Protection Agency		<u>301,419</u>
<u>U.S. Department of Defense</u>		
Direct Program: 594 Environmental Infrastructure Assistance Program (Agreement Number W59XQG01560792)	12.U01	<u>880,954</u>
Total U.S. Department of Defense		<u>880,954</u>
TOTAL FEDERAL AWARDS		\$ <u><u>1,672,738</u></u>

SEE NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF WILTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2023

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, 2023. 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, 2023, the City did not pass any federal money to subrecipients.

CITY OF WILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2023

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?

x yes ___ 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
--------	---

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, 2023

Section II – Financial Statement Findings

2023-001 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 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 2022-001.

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, 2023

2023-002 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 2022-002.

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, 2023

2023-003 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 2022-003.

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, 2023

Section III – Federal Award Findings and Questioned Costs

2023-004 FINDING

Federal Program

COVID-19 Coronavirus State and Local Fiscal Recovery Funds (AL #21.027)
Activities Allowed/Unallowed and Allowable Costs/Cost Principles
Cash Management

Criteria

2 CFR Part 200, Subpart E (Cost Principles), expenses charged to federal awards should be free of improper payments, including payments that should have been made or that were made in incorrect amounts (including overpayments and underpayments). Furthermore, reimbursement requests need to be for allowable expenses incurred.

Condition

The City overpaid a contractor \$124,367 because the contractor had an error in the “Pay Estimate.” The construction project has several different funding sources, and this draw was 60% State and 40% Federal. The City submitted and received reimbursement of \$74,621 from the State and \$49,746 from the Coronavirus State and Local Fiscal Recovery Funds program (AL #21.027).

Questioned Costs

\$49,746

Context

In 2023, the total amount paid to contractors for construction was \$3,254,540. During our reconciliation of the 2023 construction expenses of \$3,254,540 to the amount eligible on the “Pay Estimate,” we identified an overpayment of \$124,367.

Cause

Management oversight.

Effect

The error occurred in the first half of the construction project and all parties were notified of the error in 2024.

Repeat Finding

No.

Recommendation

The City should contact the Contractor to determine if the amount that was overpaid will be refunded or adjusted on the next “Pay Estimate.” The City will also need to contact the Grantor to determine if the reimbursed dollars should be returned or adjusted on the next draw. To mitigate the risk of overpayment in the future, the City should reconcile construction payments to the “Pay Estimates.”

View of Responsible Officials

The City agrees with the recommendation and will implement December 1, 2024.

CITY OF WILTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
DECEMBER 31, 2023

2023-005 Finding

Federal Program

594 Environmental Infrastructure Assistance Program (AL #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

Yes. Prior audit finding 2022-004.

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, 2023

2023-006 Finding

Federal Program

594 Environmental Infrastructure Assistance Program (AL #12.U01)

Cash Management

Matching, Level of Effort, Earmarking

Criteria

A system of internal controls requires all requests for reimbursements to be reviewed and approved before submission.

Condition

During testing, we noted one request for reimbursement report that was not properly signed off on, per City procedures.

Questioned Costs

None.

Context

In a population of 11 requests for reimbursement reports submitted, we selected 3 to test. We noted that one of the reports tested was not signed off on, per City procedures.

Cause

Management oversight.

Effect

There is an increased risk of the City submitting an inaccurate request for reimbursement.

Repeat Finding

No.

Recommendation

The City should follow their procedures for signing off on all requests for reimbursement reports before submitting the federal reimbursement.

View of Responsible Officials

The City agrees with the recommendation and will implement December 1, 2024.

CITY OF WILTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2023

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 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.

Corrective Action Taken

No action taken. See current year finding 2023-001 and Corrective Action Plan.

CITY OF WILTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
DECEMBER 31, 2023

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.

Corrective Action Taken

No action taken. See current year finding 2023-002 and Corrective Action Plan.

CITY OF WILTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – CONTINUED
DECEMBER 31, 2023

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.

Corrective Action Taken

No action taken. See current year finding 2023-003 and Corrective Action Plan.

CITY OF WILTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – CONTINUED
DECEMBER 31, 2023

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.

Corrective Action Taken

No action taken. See current year finding 2023-005 and Corrective Action Plan.

CITY OF WILTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – CONTINUED
DECEMBER 31, 2023

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.

Corrective Action Taken

Yes. This finding was removed for 2023.

City of Wilton

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CORRECTIVE ACTION PLAN DECEMBER 31, 2023

2023-001 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

2023-002 FINDING

Contact Person – Pattie Solberg, City Auditor

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

Completion Date – Ongoing

2023-003 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

2023-004 FINDING

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan – The City should contact the Contractor to determine if the amount that was overpaid will be refunded or adjusted on the next “Pay Estimate.” The City will also need to contact the Grantor to determine if the reimbursed dollars should be returned or adjusted on the next draw. To mitigate the risk of overpayment in the future, the City should reconcile construction payments to the “Pay Estimates.”

Completion Date – December 1, 2024

2023-005 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 – December 1, 2024

2023-006 FINDING

Contact Person – Pattie Solberg, City Auditor

Corrective Action Plan – The City should follow their procedures for signing off on all requests for reimbursement reports before submitting the federal reimbursement.

Completion Date – December 1, 2024