

CITY OF WILTON

AUDIT REPORT

December 31, 2013

CITY OF WILTON
WILTON, NORTH DAKOTA
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For The Year Ended December 31, 2013

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CITY OF WILTON
LIST OF OFFICIALS
December 31, 2013

President of Commission	Ron Peck
Commissioner	LeeAnn Domonoske-Kellar
Commissioner	Dave Herner
Commissioner	Joan Kruckenber
Commissioner	Joel Middaugh
Auditor	Kelly Bauer

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Wilton
Wilton, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilton, North Dakota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual basis of accounting described in Note 1; this includes determining that the modified accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental and Business-Type Activities and Proprietary Funds” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental and business-type activities and proprietary funds of the City of Wilton, North Dakota, as of December 31, 2013, and the changes in financial position – modified accrual basis and, where applicable, cash flows thereof for the year then ended in accordance with the modified accrual basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified accrual basis of each major governmental fund and the aggregate remaining fund information of the City of Wilton, North Dakota, as of December 31, 2013, and the respective changes in financial position – modified accrual basis thereof for the year then ended in accordance with the modified accrual basis of accounting.

Basis of Accounting

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 5 through 9 and 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, on our consideration of the City of Wilton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wilton's internal control over financial reporting and compliance.



Mahlum Goodhart, PC
Mandan, North Dakota
October 31, 2014

City of Wilton
Management's Discussion and Analysis
December 31, 2013

The Management's Discussion and Analysis (MD&A) of the City of Wilton's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2013. The intent of the MD&A is to look at the City's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

- The City's overall change in net position for the year ended December 31, 2013 was \$134,171.
- Principal paid on debt during the year was \$128,296.
- During the year, the City did an advanced refunding on the Refunding Improvement Bonds of 2007-1. The principal amount of the debt retired as a result of this advanced refunding was \$745,000. By doing the advanced refunding, the total debt payments will decrease by almost \$75,500 resulting in an economic gain of \$61,000.

USING THE ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, these tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

REPORTING THE CITY AS A WHOLE

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities on the modified accrual basis of accounting described in Note 1.

The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and liabilities – is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities – this includes most of the City's basic services which are primarily supported by property taxes, user fees, and intergovernmental revenues.
- Business-type activities – this includes those services which are intended to recover all or a significant part of their costs through user fees.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The fund financial statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes and grants.

City of Wilton
Management's Discussion and Analysis
December 31, 2013

The City has two kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the differences between them.
- *Proprietary funds* – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. The City's enterprise funds, a component of proprietary funds, provide more detail and additional information for proprietary funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. As indicated by the highlights below, the City's net position of the governmental activities is \$980,325 in 2013, meaning total assets are greater than total liabilities.

The net position of the business-type activities is \$203,906 in 2013, meaning total assets exceed total liabilities.

It should be noted that the financial statements only include infrastructure assets capitalized in 2007 to present. If capital and infrastructure assets acquired prior to 2007 were recorded, the assets would be significantly higher.

Unrestricted net position may be used to fund City programs in the next fiscal year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 1,278,433	\$ 1,180,257	\$ 209,460	\$ 164,358	\$ 1,487,893	\$ 1,344,615
Capital Assets	1,787,343	1,797,875	123,061	129,479	1,910,404	1,927,354
Total Assets	<u>3,065,776</u>	<u>2,978,132</u>	<u>332,521</u>	<u>293,837</u>	<u>3,398,297</u>	<u>3,271,969</u>
Current Liabilities	-	6,761	13,615	5,980	13,615	12,741
Long-Term Liabilities	2,085,451	2,089,168	115,000	120,000	2,200,451	2,209,168
Total Liabilities	<u>2,085,451</u>	<u>2,095,929</u>	<u>128,615</u>	<u>125,980</u>	<u>2,214,066</u>	<u>2,221,909</u>
Net Position						
Net Investment in Capital Assets	(282,929)	(262,125)	135,194	138,812	(147,735)	(123,313)
Restricted	967,155	269,870	-	-	967,155	269,870
Unrestricted	296,099	874,458	68,712	29,045	364,811	903,503
Total Net Position	<u>\$ 980,325</u>	<u>\$ 882,203</u>	<u>\$ 203,906</u>	<u>\$ 167,857</u>	<u>\$ 1,184,231</u>	<u>\$ 1,050,060</u>

City of Wilton
Management's Discussion and Analysis
December 31, 2013

Changes in net position. The City's total revenues were \$1,059,365 for the year ended December 31, 2013. A significant portion, 35% of the City's revenues come from taxes, 34% results from charges for services, 26% comes from operating grants and contributions, and 5% comes from investment earnings and other revenues.

The total cost of all programs and services was \$925,194 for 2013.

The governmental activities had a change in net position of \$98,122 and the business-type activities had a change in net position of \$36,049 for the year ended December 31, 2013.

The following table provides a summary of the City's operations for the years ended December 31, 2013 and 2012.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
<u>Program Revenues</u>						
Charges for Services	\$ 18,638	\$ 23,006	\$ 341,847	\$ 335,432	\$ 360,485	\$ 358,438
Operating Grants & Contributions	277,789	275,606	-	-	277,789	275,606
<u>General Revenues</u>						
Property Taxes	370,512	425,560	-	-	370,512	425,560
Other Taxes	2,212	2,195	-	-	2,212	2,195
Investment Earnings	4,342	1,588	740	1,739	5,082	3,327
Other Revenues	41,251	21,131	2,034	500	43,285	21,631
Total Revenues	714,744	749,086	344,621	337,671	1,059,365	1,086,757
Expenses						
General Government	221,374	231,118	-	-	221,374	231,118
Public Safety	62,655	48,620	-	-	62,655	48,620
Public Works	174,831	84,644	-	-	174,831	84,644
Culture & Recreation	25,000	96,295	-	-	25,000	96,295
Bond Issuance Costs	19,877	-	-	-	19,877	-
Bond Discount	12,075	-	-	-	12,075	-
Interest & Fees on Long-Term Debt	97,671	96,980	-	-	97,671	96,980
Water and Sewer Operating	-	-	230,429	245,401	230,429	245,401
Garbage Operating	-	-	81,282	73,518	81,282	73,518
Total Expenses	613,483	557,657	311,711	318,919	925,194	876,576
Net Change in Position, Before Transfer	101,261	191,429	32,910	18,752	134,171	210,181
Transfers In (Out)	(3,139)	(11,195)	3,139	11,195	-	-
Net Change in Position	98,122	180,234	36,049	29,947	134,171	210,181
Net Position – Beginning of Year	882,203	730,889	167,857	137,910	1,050,060	868,799
Prior Period Adjustment	-	(28,920)	-	-	-	(28,920)
Net Position - Beginning of Year as adjusted	882,203	701,969	167,857	137,910	1,050,060	839,879
Net Position – End of Year	\$ 980,325	\$ 882,203	\$ 203,906	\$ 167,857	\$ 1,184,231	\$ 1,050,060

City of Wilton
Management's Discussion and Analysis
December 31, 2013

Governmental Activities

The City's taxes are levied for the general fund and special funds. Property taxes are collected by the county and remitted to the City monthly.

The following table presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what local tax dollars and other revenues funded.

- The cost of all governmental activities was \$613,483 in 2013.
- The amount that our taxpayers paid for these activities through property taxes was \$317,056.
- Some of the cost was paid by those who directly benefited from the programs, \$18,638.
- Grants and contributions totaled \$277,789.

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General Government	\$ 221,374	\$ 231,118	\$ 1,157	\$ 940
Public Safety	62,655	48,620	(62,655)	(48,620)
Public Works	174,831	84,644	(100,935)	(18,090)
Culture and Recreation	25,000	96,295	(25,000)	(96,295)
Bond Issuance Costs	19,877	-	(19,877)	-
Bond Discount	12,075	-	(12,075)	-
Interest & Fees on Long-Term Debt	97,671	96,980	(97,671)	(96,980)

Business-type Activities

For the year ended December 31, 2013, the water operating operated with income of \$18,419, garbage fund operated with income of \$1,341, and other funds operated with income of \$16,823.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- Revenues from governmental fund types totaled \$744,692, a decrease of \$70,197 from the preceding year due to less property taxes received.
- Tax revenues were \$402,672 (54% of total revenues) for the year ended December 31, 2013.
- Intergovernmental revenues were \$277,789 (37% of total revenues).
- Expenditures from governmental fund types totaled \$692,266, an increase of \$26,848 from 2012 because of an increase in the amount of principal and interest paid on their long-term debt.
- Expenditures include \$123,296 for principal payments and \$97,671 for interest payments.
- The City did an advanced refunding of their Refunding Improvement Bonds of 2007-1. They received bond proceeds of \$805,000. In addition, \$745,000 was principal paid to escrow for refunding the debt, bond issuance costs totaled \$19,877, and there was a bond discount of \$12,075.

General Fund Budgetary Highlights

- Actual revenues were \$109,765 more than the final budget.
- Actual expenditures were \$10,117 less than the final budget.

City of Wilton
Management's Discussion and Analysis
December 31, 2013

CAPITAL ASSETS

As of December 31, 2013, the City of Wilton's investment in capital assets for its governmental activities is \$1,787,343 (net of depreciation) and for its business-type activities is \$123,061 (net of depreciation). The following shows the balances as of December 31, 2013 and 2012.

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Vehicles	\$ -	\$ -	\$ 1,867	\$ 4,667
Equipment	68,172	28,763	-	-
Infrastructure	1,719,171	1,769,112	121,194	124,812
	\$ 1,787,343	\$ 1,797,875	\$ 123,061	\$ 129,479

Additional information on the City of Wilton's capital assets can be found in note 5.

DEBT ADMINISTRATION

City's Long Term Debt

Debt of the City consists of Water and Sewer Revenue Bonds of 2006, two Refunding Improvement Bonds of 2007 and 2013, and capital leases for a street sweeper and John Deere loader.

As of December 31, 2013, the City had \$2,185,272 in outstanding debt, of which \$149,103 is due within one year. The City also has accrued compensated absences for its employees of \$15,179.

Additional information on the City of Wilton's long-term debt can be found in note 6.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The City levied taxes of \$68,233 for the general fund for 2014. This is a decrease of \$3,642 over the final 2013 tax receipts.

These indicators were taken into account when adopting the general fund budget for 2014. Amounts available for appropriation in the general fund budget are \$211,423, a decrease of \$108,892 from the final 2013 amounts.

General fund expenditures are budgeted to increase \$41,060 to \$309,134. The City has added no major new program initiatives to the 2014 budget.

If these estimates are realized, the City's budgetary general fund balance is expected to decrease by \$97,711 by the close of the 2014 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the city auditor.

City of Wilton
Statement of Net Position - Modified Accrual Basis
December 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 908,452	\$ 115,399	\$ 1,023,851
Investments	95,000	94,061	189,061
Taxes Receivable, Net	169,330	-	169,330
Special Assessments Receivable, Net	47,309	-	47,309
Prepaid Expenses	5,337	-	5,337
Prepaid Interest	17,314	-	17,314
Due from County Treasurer	22,076	-	22,076
Due from Other Funds	13,615	-	13,615
Capital Assets:			
Vehicles	-	14,000	14,000
Equipment	98,456	-	98,456
Infrastructure	2,027,804	144,711	2,172,515
Accumulated Depreciation	<u>(338,917)</u>	<u>(35,650)</u>	<u>(374,567)</u>
Total Capital Assets	<u>1,787,343</u>	<u>123,061</u>	<u>1,910,404</u>
TOTAL ASSETS	3,065,776	332,521	3,398,297
LIABILITIES			
Current Liabilities			
Due to General Fund	-	13,615	13,615
Long-Term Liabilities:			
Portion Due or Payable within One Year			
Compensated Absences Payable	15,179	-	15,179
Capital Lease Payable	19,103	-	19,103
Bonds Payable	125,000	5,000	130,000
Portion Due or Payable after One Year			
Capital Lease Payable	36,169	-	36,169
Bonds Payable	<u>1,890,000</u>	<u>110,000</u>	<u>2,000,000</u>
Total Liabilities	<u>2,085,451</u>	<u>128,615</u>	<u>2,214,066</u>
NET POSITION			
Net Investment in Capital Assets	(282,929)	135,194	(147,735)
Restricted for:			
Debt Service	595,441	-	595,441
Special Projects	371,714	-	371,714
Unrestricted	<u>296,099</u>	<u>68,712</u>	<u>364,811</u>
Total Net Position	<u>\$ 980,325</u>	<u>\$ 203,906</u>	<u>\$ 1,184,231</u>

The accompanying notes are an integral part of this statement.

City of Wilton
Statement of Activities - Modified Accrual Basis
For the year ended December 31, 2013

	<u>Net (Expense) Revenue & Changes in Net Position</u>				
	<u>Program Revenues</u>			<u>Primary Government</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Functions/Programs</u>					
<u>Primary Governments</u>					
<u>Governmental Activities</u>					
General Government	\$ 221,374	\$ 18,638	\$ 203,893	\$ 1,157	\$ 1,157
Public Safety	62,655	-	-	(62,655)	(62,655)
Public Works	174,831	-	73,896	(100,935)	(100,935)
Culture and Recreation	25,000	-	-	(25,000)	(25,000)
Bond Issuance Costs	19,877	-	-	(19,877)	(19,877)
Bond Discount	12,075	-	-	(12,075)	(12,075)
Interest & Fees on Long-Term Debt	97,671	-	-	(97,671)	(97,671)
Total Governmental Activities	<u>613,483</u>	<u>18,638</u>	<u>277,789</u>	<u>(317,056)</u>	<u>(317,056)</u>
<u>Business-type Activities</u>					
Water and Sewer Operating	230,429	259,224	-	-	\$ 28,795
Garbage Operating	81,282	82,623	-	-	1,341
Total Business-type Activities	<u>311,711</u>	<u>341,847</u>	<u>-</u>	<u>-</u>	<u>30,136</u>
Total Primary Government	\$ 925,194	\$ 360,485	\$ 277,789	(317,056)	30,136
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purpose				50,545	-
Property Taxes, Levied for Special Purpose				319,967	-
Cigarette Taxes				2,212	-
Earnings on Investments				4,342	740
Other Revenues				41,251	2,034
Transfers In (Out)				(3,139)	3,139
Total General Revenues				<u>415,178</u>	<u>5,913</u>
Change in Net Position				98,122	36,049
Net Position - Beginning of Year				<u>882,203</u>	<u>167,857</u>
Net Position - End of Year				<u>\$ 980,325</u>	<u>\$ 203,906</u>
					<u>\$ 1,184,231</u>

The accompanying notes are an integral part of this statement.

City of Wilton
Balance Sheet - Modified Accrual Basis - Governmental Funds
December 31, 2013

	Major Funds					Total Governmental Funds
	General	Sales Tax	Street Improvement Fund: 2007-1	Street Improvement Fund: 2007-2	Other Governmental Funds	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Cash and Cash Equivalents	\$ 226,242	\$ 253,618	\$ 101,427	\$ 236,599	\$ 90,566	\$ 908,452
Investments	15,000	-	80,000	-	-	95,000
Special Assessment Receivable, Net	-	-	14,982	32,327	-	47,309
Prepaid Expenses	5,337	-	-	-	-	5,337
Due from County Treasurer	16,089	-	-	-	5,987	22,076
Due from Other Funds	26,419	-	107	691	6,480	33,697
Taxes Receivable, Net	42,273	-	58,562	53,432	15,063	169,330
Total Assets	331,360	253,618	255,078	323,049	118,096	1,281,201
Deferred Outflows of Resources:						
Deferred Interest from Advance Refunding of Debt	-	-	17,314	-	-	17,314
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 331,360	\$ 253,618	\$ 272,392	\$ 323,049	\$ 118,096	\$ 1,298,515
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Due to General Fund	\$ -	\$ 12,804	\$ -	\$ -	\$ -	\$ 12,804
Due to Highway Fund	-	6,420	-	-	-	6,420
Due to Other Funds	858	-	-	-	-	858
Total Liabilities	858	19,224	-	-	-	20,082
Deferred Inflows of Resources:						
Deferred Revenue	42,273	-	58,562	53,432	15,063	169,330
Total Liabilities and Deferred Inflows of Resources	43,131	19,224	58,562	53,432	15,063	189,412
Fund Balances:						
Restricted for:						
Debt Service	-	-	213,830	269,617	-	483,447
Assigned	-	234,394	-	-	103,033	337,427
Unassigned	288,229	-	-	-	-	288,229
Total Fund Balances	288,229	234,394	213,830	269,617	103,033	1,109,103
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 331,360	\$ 253,618	\$ 272,392	\$ 323,049	\$ 118,096	\$ 1,298,515
Total fund balances - governmental funds						1,109,103
Amounts reported for <i>governmental activities</i> in the statement of net position is different because:						
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,126,260, and the accumulated depreciation is \$338,917.						1,787,343
Payment of principal on loans, leases, and other long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.						(2,085,451)
Property taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds.						169,330
Net position of governmental activities						<u>\$ 980,325</u>

The accompanying notes are an integral part of this statement.

City of Wilton
Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Accrual Basis - Governmental Funds
For the year ended December 31, 2013

	Major Funds					
			Street Improvement Fund: 2007-1	Street Improvement Fund: 2007-2	Other Governmental Funds	Total Governmental Funds
	General	Sales Tax				
REVENUES						
Taxes	\$ 71,875	\$ 112,919	\$ 88,044	\$ 106,395	\$ 23,439	\$ 402,672
Licenses, Permits, and Fees	10,775	-	-	-	-	10,775
Intergovernmental	203,893	-	-	-	73,896	277,789
Charges for Services	1,252	-	-	-	-	1,252
Fines	6,611	-	-	-	-	6,611
Earnings on Investments	2,267	507	206	1,202	160	4,342
Miscellaneous	<u>23,642</u>	<u>-</u>	<u>15,975</u>	<u>-</u>	<u>1,634</u>	<u>41,251</u>
TOTAL REVENUES	<u>320,315</u>	<u>113,426</u>	<u>104,225</u>	<u>107,597</u>	<u>99,129</u>	<u>744,692</u>
EXPENDITURES						
Current:						
General Government	205,419	-	-	2,231	11,695	219,345
Public Safety	62,655	-	-	-	-	62,655
Public Works	-	65,714	-	-	98,585	164,299
Culture and Recreation	-	25,000	-	-	-	25,000
Debt Service:						
Principal	-	-	45,000	60,000	18,296	123,296
Interest & Fees	<u>-</u>	<u>-</u>	<u>38,372</u>	<u>56,041</u>	<u>3,258</u>	<u>97,671</u>
TOTAL EXPENDITURES	<u>268,074</u>	<u>90,714</u>	<u>83,372</u>	<u>118,272</u>	<u>131,834</u>	<u>692,266</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,241	22,712	20,853	(10,675)	(32,705)	52,426
OTHER FINANCING SOURCES (USES)						
Transfers In (Out)	(23,139)	-	-	-	20,000	(3,139)
Loan Proceeds	-	-	-	-	57,550	57,550
Bonds Issued for Refunding Debt	-	-	805,000	-	-	805,000
Payment to Escrow for Refunding Debt	-	-	(745,000)	-	-	(745,000)
Bond Issuance Costs	-	-	(19,877)	-	-	(19,877)
Bond Discount	<u>-</u>	<u>-</u>	<u>(12,075)</u>	<u>-</u>	<u>-</u>	<u>(12,075)</u>
Total Other Financing Sources (Uses)	<u>(23,139)</u>	<u>-</u>	<u>28,048</u>	<u>-</u>	<u>77,550</u>	<u>82,459</u>
NET CHANGE IN FUND BALANCES	29,102	22,712	48,901	(10,675)	44,845	134,885
Fund Balances - January 1, 2013	<u>259,127</u>	<u>211,682</u>	<u>164,929</u>	<u>280,292</u>	<u>58,188</u>	<u>974,218</u>
FUND BALANCES - DECEMBER 31, 2013	<u>\$ 288,229</u>	<u>\$ 234,394</u>	<u>\$ 213,830</u>	<u>\$ 269,617</u>	<u>\$ 103,033</u>	<u>\$ 1,109,103</u>

The accompanying notes are an integral part of this statement.

City of Wilton
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in
 Fund Balances to the Statement of Activities - Modified Accrual Basis
 For the year ended December 31, 2013

Net change in fund balances - total governmental funds \$ 134,885

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (29,948)

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

Debt Proceeds	(862,550)	
Payment of Principal on Advanced Refunding	745,000	
Payment of Bond Principal	<u>123,296</u>	
		5,746

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

Capital assets purchased in the current period	61,914	
Depreciation expense of capital assets reported	<u>(72,446)</u>	
		(10,532)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued compensated absences		<u>(2,029)</u>
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Change in net position of governmental activities \$ 98,122

The accompanying notes are an integral part of this statement.

City of Wilton
Statement of Net Position - Modified Accrual Basis - Proprietary Funds
December 31, 2013

	<u>Major Enterprise Funds</u>		Other Enterprise Funds	Totals
	Water Fund	Garbage Fund		
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 42,223	\$ 19,279	\$ 53,897	\$ 115,399
Investments	<u>92,061</u>	<u>-</u>	<u>2,000</u>	<u>94,061</u>
Total Current Assets	134,284	19,279	55,897	209,460
Noncurrent Assets:				
Capital Assets:				
Vehicles	-	-	14,000	14,000
Infrastructure	144,711	-	-	144,711
Accumulated Depreciation	<u>(23,517)</u>	<u>-</u>	<u>(12,133)</u>	<u>(35,650)</u>
Net Capital Assets	<u>121,194</u>	<u>-</u>	<u>1,867</u>	<u>123,061</u>
TOTAL ASSETS	255,478	19,279	57,764	332,521
LIABILITIES				
Due to General Fund	1,978	6,021	5,616	13,615
Portion Due or Payable within One Year				
Bonds Payable	5,000	-	-	5,000
Portion Due or Payable after One Year				
Bonds Payable	<u>110,000</u>	<u>-</u>	<u>-</u>	<u>110,000</u>
Total Liabilities	<u>116,978</u>	<u>6,021</u>	<u>5,616</u>	<u>128,615</u>
NET POSITION				
Net Investment in Capital Assets	121,194	-	14,000	135,194
Unrestricted	<u>17,306</u>	<u>13,258</u>	<u>38,148</u>	<u>68,712</u>
Total Net Position	<u>\$ 138,500</u>	<u>\$ 13,258</u>	<u>\$ 52,148</u>	<u>\$ 203,906</u>

The accompanying notes are an integral part of this statement.

City of Wilton
Statement of Revenues, Expenses and Changes in Fund Net Position
Modified Accrual Basis - Proprietary Funds
For the year ended December 31, 2013

	<u>Major Enterprise Funds</u>		Other Enterprise Funds	Total
	Water Fund	Garbage Fund		
OPERATING REVENUES:				
Charges for Services	\$ 229,895	\$ 82,623	\$ 29,329	\$ 341,847
TOTAL OPERATING REVENUES	229,895	82,623	29,329	341,847
OPERATING EXPENSES:				
Supplies	5,768	-	2,661	8,429
Utilities & Telephone	287	-	-	287
Operation & Maintenance	189,072	-	-	189,072
Salaries	12,731	6,839	7,045	26,615
Garbage Operations	-	74,443	-	74,443
Depreciation	3,618	-	2,800	6,418
TOTAL OPERATING EXPENSES	211,476	81,282	12,506	305,264
INCOME (LOSS) FROM OPERATIONS	18,419	1,341	16,823	36,583
NON-OPERATING REVENUES (EXPENSES):				
Interest Income	713	-	27	740
Miscellaneous Income	2,034	-	-	2,034
Interest & Fees on Long-Term Debt	(6,447)	-	-	(6,447)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(3,700)	-	27	(3,673)
INCOME (LOSS) BEFORE TRANSFERS	14,719	1,341	16,850	32,910
Transfers In (Out)	3,139	-	-	3,139
CHANGE IN NET POSITION	17,858	1,341	16,850	36,049
Net Position - January 1, 2013	120,642	11,917	35,298	167,857
NET POSITION - DECEMBER 31, 2013	<u>\$ 138,500</u>	<u>\$ 13,258</u>	<u>\$ 52,148</u>	<u>\$ 203,906</u>

The accompanying notes are an integral part of this statement.

City of Wilton
Statement of Cash Flows
Modified Accrual Basis - Proprietary Funds
For the year ended December 31, 2013

	Major Enterprise Funds		Other Enterprise Funds	Total
	Water Fund	Garbage Fund		
Cash flows from operating activities				
Receipts from customers	\$ 229,895	\$ 82,623	\$ 29,329	\$ 341,847
Payments to employees	(10,753)	(818)	(1,429)	(13,000)
Payments to suppliers	<u>(195,127)</u>	<u>(80,423)</u>	<u>(2,661)</u>	<u>(278,211)</u>
Net cash provided (used) by operating activities	24,015	1,382	25,239	50,636
Cash flows from noncapital financing activities				
Transfers from (to) other funds	3,139	-	-	3,139
Other receipts	<u>2,034</u>	<u>-</u>	<u>-</u>	<u>2,034</u>
Net cash provided (used) by noncapital financing activities	5,173	-	-	5,173
Cash flows from capital financing activities				
Principal paid on bonds	(5,000)	-	-	(5,000)
Interest & fees paid on bonds	<u>(6,447)</u>	<u>-</u>	<u>-</u>	<u>(6,447)</u>
Net cash provided (used) by capital financing activities	(11,447)	-	-	(11,447)
Cash flows from investing activities				
Interest added to certificates of deposit	1	-	-	1
Interest income	<u>713</u>	<u>-</u>	<u>27</u>	<u>740</u>
Net cash provided (used) by investing activities	<u>714</u>	<u>-</u>	<u>27</u>	<u>741</u>
Net increase in cash and cash equivalents	18,455	1,382	25,266	45,103
Cash and cash equivalents - January 1	<u>23,768</u>	<u>17,897</u>	<u>28,631</u>	<u>70,296</u>
Cash and cash equivalents - December 31	<u>\$ 42,223</u>	<u>\$ 19,279</u>	<u>\$ 53,897</u>	<u>\$ 115,399</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Income (loss) from operations	\$ 18,419	\$ 1,341	\$ 16,823	\$ 36,583
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:				
Depreciation	3,618	-	2,800	6,418
Increase (decrease) in due to general fund	1,978	6,021	5,616	13,615
Increase (decrease) in accounts payable	<u>-</u>	<u>(5,980)</u>	<u>-</u>	<u>(5,980)</u>
Net cash provided (used) by operating activities	<u>\$ 24,015</u>	<u>\$ 1,382</u>	<u>\$ 25,239</u>	<u>\$ 50,636</u>

The accompanying notes are an integral part of this statement.

City of Wilton
Wilton, North Dakota
Notes to the Financial Statements
December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wilton operates under a city commission form of government. The financial statements of the City have been prepared on a modified accrual basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America as applied to government units. 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.

A. Reporting Entity

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

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

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

B. Basis of Presentation

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

City of Wilton
Wilton, North Dakota
Notes to the Financial Statements
December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

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

City of Wilton
Wilton, North Dakota
Notes to the Financial Statements
December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits

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

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

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

The bank balance of these deposits as of December 31, 2013 was \$1,234,526; the carrying balance at this date were \$1,212,912. The difference results from checks outstanding or deposits not yet processed. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$984,526 was collateralized with securities held by the pledging financial institutions' agent not in the City's name.

E. Capital Assets

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

City of Wilton
Wilton, North Dakota
Notes to the Financial Statements
December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Equipment	5 years
Infrastructure	40 years

F. Accrued Compensated Absences

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

G. Encumbrance Accounting

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

H. Interfund Transactions

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

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

I. Fund Balance Classifications

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

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

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

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

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

City of Wilton
Wilton, North Dakota
Notes to the Financial Statements
December 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

J. Net Position

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

K. Deferred Inflows of Resources

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

L. Deferred Outflows of Resources

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

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include amounts in demand deposit and savings accounts.

Investments consist of certificates of deposit carried at cost with a term of more than three months. The certificates of deposit had interest rates of 0.15 – 0.45 percent in 2013. State statutes authorize political subdivisions to invest in 1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress; 2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above; 3) Certificates of deposit fully insured by the Federal Deposit Insurance Corporation or the state; 4) Obligations of the state.

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

City of Wilton
Wilton, North Dakota
Notes to the Financial Statements
December 31, 2013

NOTE 3 TAXES RECEIVABLE

Taxes receivable consist of delinquent uncollected taxes at December 31.

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

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

NOTE 4 DUE FROM COUNTY TREASURER

The amount of \$22,076 due from county treasurer consists of the cash on hand at the county for taxes collected but not remitted to the City at December 31.

NOTE 5 CAPITAL ASSETS

Capital assets consist of the following as of December 31, 2013:

	Governmental Activities	Business-type Activities	Total
Vehicles	\$ -	\$ 14,000	\$ 14,000
Equipment	98,456	-	98,456
Infrastructure	2,027,804	144,711	2,172,515
Total	2,126,260	158,711	2,284,971
Less Accumulated Depreciation	(338,917)	(35,650)	(374,567)
Net – 12/31/13	<u>\$ 1,787,343</u>	<u>\$ 123,061</u>	<u>\$ 1,910,404</u>

Depreciation expense for governmental activities for the year ended December 31, 2013 was \$72,446 and is reported in the government-wide statement of activities as Public Works expense. Depreciation expense for business-type activities for the year ended December 31, 2013 was \$6,418.

Following is a summary of changes in capital assets for the year ended December 31, 2013:

	Governmental Activities		Business-Type Activities	
	Capital Assets	Accumulated Depreciation	Capital Assets	Accumulated Depreciation
Balance, December 31, 2012	\$ 2,064,346	\$ 266,471	\$ 205,321	\$ 75,842
Purchases	61,914	-	-	-
Disposals	-	-	(46,610)	(46,610)
Depreciation Expense	-	72,446	-	6,418
Balance, December 31, 2013	<u>\$ 2,126,260</u>	<u>\$ 338,917</u>	<u>\$ 158,711</u>	<u>\$ 35,650</u>

City of Wilton
Wilton, North Dakota
Notes to the Financial Statements
December 31, 2013

NOTE 6 LONG-TERM DEBT

At December 31, 2013, debt consisted of the following:

	Governmental Activities	Business-type Activities
\$150,000 Water and Sewer Revenue Bonds of 2006. Annual payments beginning in May 2007. Final payment due May 2026; interest rate is 4.50 percent. Bond proceeds were used for water and sewer improvements.		\$ 115,000
\$805,000 Refunding Improvement Bonds of 2013. Annual payments beginning in May 2014. Final payment due May 2027; interest rates from 1.00 to 3.00 percent. Bond proceeds were used for the advanced refunding of Refunding Improvement Bonds of 2007-1.	\$ 805,000	
\$1,460,000 Refunding Improvement Bonds of 2007. Annual payments beginning in May 2009. Final payment due May 2027; interest rates from 3.75 to 4.65 percent. Bond proceeds were used for street improvements.		1,210,000
In March 2012, the City acquired a Street Sweeper under a capital lease agreement. The cost of the equipment was \$24,000. Annual payments of \$8,296 including principal and interest beginning in March 2012. Final lease payment due March 2014; interest rate 3.68 percent. The equipment may be purchased upon expiration of the lease for \$1.	8,156	
In January 2013, the City acquired a John Deere Loader under a capital lease agreement. The cost of the equipment was \$57,000. Annual payments of \$13,258 including principal and interest beginning April 2013. Final lease payment due in April 2017; interest rate 4.80 percent. The equipment may be purchased upon expiration of the lease for \$1.	47,116	
Full-time, permanent employees receive vacation and sick leave benefits each year in amounts that vary depending on tenure with the City. Employees are entitled to their vacation leave upon termination.		15,179
Total	\$ 2,085,451	\$ 115,000

The following is a summary of debt transactions of the City for the year ended December 31, 2013:

	Balance 12/31/12	Issues	Payments	Balance 12/31/13	Due within one year
<u>Governmental Activities</u>					
Refunding Improvement Bond: 2007-1 *	\$ 790,000	\$ -	\$ 790,000	\$ -	\$ -
Refunding Improvement Bond: 2007-2	1,270,000	-	60,000	1,210,000	65,000
Refunding Improvement Bond: 2013	-	805,000	-	805,000	60,000
Capital Lease	16,018	57,550	18,296	55,272	19,103
Compensated Absences	13,150	6,278	4,249	15,179	15,179
Total Governmental Type Activities	2,089,168	868,828	872,545	2,085,451	159,282
<u>Business-type Activities</u>					
Water and Sewer Revenue Bonds of 2006	120,000	-	5,000	115,000	5,000
Total Business Type Activities	120,000	-	5,000	115,000	5,000
Total Government	\$ 2,209,168	\$ 868,828	\$ 877,545	\$ 2,200,451	\$ 164,282

City of Wilton
Wilton, North Dakota
Notes to the Financial Statements
December 31, 2013

NOTE 6 LONG-TERM DEBT - CONTINUED

Interest and fees paid by governmental activities for the year ended December 31, 2013 was \$97,671. Interest and fees paid by business-type activities for the year ended December 31, 2012 was \$6,447.

* On June 15, 2013, \$805,000 in Refunding Improvement Bonds of 2013 with an average interest rate of 2.37 percent were issued to advance refund \$745,000 of outstanding bonds with an average interest rate of 4.64 percent. The net proceeds of \$779,628 (after payment of \$25,372 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt payments over the next 14 years by almost \$75,500 resulting in an economic gain of \$61,000.

The annual requirements to amortize the bonds and lease outstanding at December 31, 2013, are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 144,103	\$ 76,554	\$ 5,000	\$ 5,063	\$ 149,103	\$ 81,617
2015	146,484	66,527	5,000	4,837	151,484	71,364
2016	142,047	62,469	5,000	4,613	147,047	67,082
2017	142,638	58,356	10,000	4,275	152,638	62,631
2018	140,000	53,704	10,000	3,825	150,000	57,529
2019-2023	750,000	193,457	50,000	12,375	800,000	205,832
2024-2027	605,000	48,865	30,000	2,025	635,000	50,890
Total	<u>\$ 2,070,272</u>	<u>\$ 559,932</u>	<u>\$ 115,000</u>	<u>\$ 37,013</u>	<u>\$ 2,185,272</u>	<u>\$ 596,945</u>

NOTE 7 PENSION PLAN

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

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of the City of Wilton. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

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

City of Wilton
Wilton, North Dakota
Notes to the Financial Statements
December 31, 2013

NOTE 7 PENSION PLAN - CONTINUED

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 6% of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The City of Wilton has not elected to implement a salary reduction agreement. The City of Wilton is required to contribute 6.12% of each participant's salary as the employer's share. In addition to the 6.12% employer contribution the employer is required to contribute 1.14% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. The City of Wilton's required and actual contributions and employee's contribution for the years ended December 31, 2013, 2012, and 2011, were \$9,464, \$7,769, and \$6,531, respectively.

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

NOTE 8 RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of Wilton pays an annual premium to NDRIF for its general insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence. There have been no losses that exceeded the coverage in the last three years.

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

NOTE 9 INTERFUND RECEIVABLES AND PAYABLES

At December 31, 2013, interfund receivables and payables totaled \$33,697 because there were some property taxes that were not transferred to the appropriate fund in 2011 and 2012, state tax monies were not recorded in the proper fund, and the enterprise funds owed the general fund for payroll related items. Below is a summary of the interfund receivables and payables.

Fund	Due To Other Funds	Due From Other Funds
General Fund	\$ 858	\$ 26,419
Public Property Special Assessments		60
Highway Fund		6,420
Sales Tax	19,224	
2007-1 Street Improvements		107
2007-2 Street Improvements		691
Water Fund	1,978	
Sewer Fund	6,021	
Garbage Fund	5,616	
Total	<u>\$ 33,697</u>	<u>\$ 33,697</u>

City of Wilton
Wilton, North Dakota
Notes to the Financial Statements
December 31, 2013

NOTE 10 EXPENDITURES IN EXCESS OF BUDGET

For the year ended December 31, 2013, the sales tax fund was expended in excess of budget. No remedial action is anticipated or required by the City regarding these excess expenditures.

NOTE 11 INTERFUND TRANSFERS

At December 31, 2013, fund transfers consisted of the following:

Fund	In	Out	
General Fund	\$ -	\$ 23,139	Correct a transfer from Park District and interest expense
Highway Fund	20,000	-	Correct a transfer from Park District
Water Fund	3,139	-	Interest expense on Water & Sewer Revenue Bonds of 2006
Total	<u>\$ 23,139</u>	<u>\$ 23,139</u>	

NOTE 12 FUND BALANCES

At December 31, 2013, a summary of the governmental fund balance classifications are as follows:

	General Fund	Sales Tax	Street Improvement Fund: 2007-1	Street Improvement Fund: 2007-2	Other Governmental Funds	Total
Restricted						
Debt Service	\$ -	\$ -	\$ 213,830	\$ 269,617	\$ -	\$ 483,447
Assigned						
Highway	-	-	-	-	44,286	44,286
Sales Tax	-	234,394	-	-	-	234,394
Social Security	-	-	-	-	8,814	8,814
Memorial Hall Expansion	-	-	-	-	4,032	4,032
Public Property Specials	-	-	-	-	29,419	29,419
Soo Depot	-	-	-	-	3,885	3,885
Insurance	-	-	-	-	12,597	12,597
Unassigned	288,229	-	-	-	-	288,229
	<u>\$ 288,229</u>	<u>\$ 234,394</u>	<u>\$ 213,830</u>	<u>\$ 269,617</u>	<u>\$ 103,033</u>	<u>\$ 1,109,103</u>

NOTE 13 SUBSEQUENT EVENTS

In June 2014, the City did an advanced refunding of their Refunding Improvement Bonds of 2007-2 for \$1,225,000.

***REQUIRED
SUPPLEMENTARY INFORMATION***

City of Wilton
 Budgetary Comparison Schedule - Modified Accrual Basis
 General Fund
 For the year ended December 31, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	Actual (Budgetary Basis)	
REVENUES				
Taxes	\$ 76,315	\$ 76,315	\$ 71,875	\$ (4,440)
Licenses, Permits, and Fees	7,290	7,290	10,775	3,485
Intergovernmental	109,950	109,950	203,893	93,943
Charges for Services	8,000	8,000	1,252	(6,748)
Fines	2,300	2,300	6,611	4,311
Earnings on Investments	95	95	2,267	2,172
Miscellaneous	<u>6,600</u>	<u>6,600</u>	<u>23,642</u>	<u>17,042</u>
TOTAL REVENUES	<u>210,550</u>	<u>210,550</u>	<u>320,315</u>	<u>109,765</u>
EXPENDITURES				
Current:				
General Government	215,149	215,149	205,419	9,730
Public Safety	<u>63,042</u>	<u>63,042</u>	<u>62,655</u>	<u>387</u>
TOTAL EXPENDITURES	<u>278,191</u>	<u>278,191</u>	<u>268,074</u>	<u>10,117</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(67,641)	(67,641)	52,241	119,882
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(23,139)</u>	<u>(23,139)</u>
NET CHANGE IN FUND BALANCES	(67,641)	(67,641)	29,102	96,743
Fund Balances - January 1, 2013	<u>259,127</u>	<u>259,127</u>	<u>259,127</u>	<u>-</u>
FUND BALANCES - DECEMBER 31, 2013	<u><u>\$ 191,486</u></u>	<u><u>\$ 191,486</u></u>	<u><u>\$ 288,229</u></u>	<u><u>\$ 96,743</u></u>

The accompanying notes are an integral part of this statement.

City of Wilton
 Budgetary Comparison Schedule - Modified Accrual Basis
 Highway Fund
 For the year ended December 31, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	
REVENUES				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 73,896	\$ 33,896
Charges for Services	-	-	-	-
Earnings on Investments	-	-	76	76
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>40,000</u>	<u>40,000</u>	<u>73,972</u>	<u>33,972</u>
EXPENDITURES				
Current:				
Public Works	66,000	66,000	96,672	(30,672)
Debt Service:				
Principal	-	-	18,296	(18,296)
Interest & Fees	-	-	3,258	(3,258)
TOTAL EXPENDITURES	<u>66,000</u>	<u>66,000</u>	<u>118,226</u>	<u>(52,226)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,000)	(26,000)	(44,254)	(18,254)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	-	20,000	20,000
Loan Proceeds	-	-	57,550	57,550
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>77,550</u>	<u>77,550</u>
NET CHANGE IN FUND BALANCES	(26,000)	(26,000)	33,296	59,296
Fund Balances - January 1, 2012	<u>12,900</u>	<u>12,900</u>	<u>12,900</u>	<u>-</u>
FUND BALANCES - DECEMBER 31, 2012	<u>\$ (13,100)</u>	<u>\$ (13,100)</u>	<u>\$ 46,196</u>	<u>\$ 59,296</u>

The accompanying notes are an integral part of this statement.

City of Wilton
Notes to Required Supplementary Information
December 31, 2013

NOTE 1 BUDGETS

The City adopts a budget on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America for the general fund and each special revenue fund. The City is required to present the adopted and final amended budgeted revenues and expenditures for these funds.

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

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

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

Governing Board
City of Wilton
Wilton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilton as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2014.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2013-1 through 2013-4 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wilton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2013-5.

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*

City of Wilton, North Dakota's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wilton's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mahlum Goodhart, PC
Mandan, North Dakota
October 31, 2014

City of Wilton
Schedule of Findings
For the Year Ended December 31, 2013

Section I – Financial Statement Audit

Material Weaknesses

Finding 2013-1: Segregation of Duties

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

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

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

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

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

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

Finding 2013-2: Preparation of the Financial Statements

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

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

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

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

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

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

City of Wilton
Schedule of Findings
For the Year Ended December 31, 2013

Section I – Financial Statement Audit - Continued

Finding 2013-3: Capital Asset Records

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

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

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

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

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

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

Finding 2013-4: Journal Entries

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

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

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

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

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

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

City of Wilton
Schedule of Findings
For the Year Ended December 31, 2013

Section I – Financial Statement Audit - Continued

Noncompliance

Finding 2013-5: Approval of Pledges of Securities

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

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

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

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

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

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

Section II – Prior Year Findings

Findings 2013-1 through 2013-5 are repeat findings.