

Town of Clayton
Winnebago County, Wisconsin

MANAGEMENT COMMUNICATIONS

December 31, 2019

Town of Clayton

Winnebago County, Wisconsin

DECEMBER 31, 2019

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CliftonLarsonAllen LLP
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To the Town Board
Town of Clayton
Winnebago County, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Clayton as of and for the year ended December 31, 2019, and have issued our report thereon dated March 19, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Clayton are described in Note 1 to the financial statements.

As described in Note 1.B., the Town changed accounting policies related to property taxes and special collections, by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, *Fiduciary Activities*, in 2019. Accordingly, property taxes and specials collected on behalf of other governments is now recorded in a custodial fund.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability (asset) and related deferred outflows/inflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension liability (asset) and related deferred outflows/inflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the accumulated compensated absences liability is based upon analysis of the employees compensated absence leave balance. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the accumulated compensated absence liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Corrected misstatements

The following material misstatements detected as a result of audit procedures were corrected by management:

- To record deferred special assessments of \$29,951.
- To adjust \$133,385 to stormwater operating expenses that were originally recorded in construction in progress.
- To record \$9,023 of stormwater capital assets that were originally recorded in expense.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated March 19, 2020.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other audit findings or issues

We have provided a separate letter to you dated March 19, 2020 communicating internal control related matters identified during the audit.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the detailed comparisons of budgeted and actual revenues and expenditures and the combining balance sheet and statement of revenues, expenditures, and changes in fund balance for nonmajor funds (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated March 19, 2020.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the Town Board and management of Town of Clayton and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
March 19, 2020

Summary Financial Information

GOVERNMENTAL FUND BALANCES

Presented below is a summary of Town governmental fund balances on December 31, 2019 and 2018. Information is provided for assessing financial results for 2019 and for indicating financial resources available for 2020 and subsequent years.

	<u>12/31/19</u>	<u>12/31/18</u>
General Fund		
Nonspendable for		
Prepaid items	\$ 21,051	\$ 2,771
Advance to stormwater fund	66,799	130,743
Restricted for		
Park improvements	7,965	4,434
Fire department improvements	23,763	15,943
Committed for		
Cemetery expenditures	32,267	26,367
Capital equipment replacement	-	59,044
Sick leave and vacation payout	56,268	36,268
Assigned for subsequent year's budget	57,380	-
Unassigned	404,587	(99,368)
Total general fund balance	<u>670,080</u>	<u>176,202</u>
Debt Service Fund		
Restricted for debt service	136,087	-
Unassigned	-	(136,008)
Total debt service fund balance	<u>136,087</u>	<u>(136,008)</u>
Special Revenue Funds		
Restricted for		
Fire department capital expenditures	2,349	6,903
Committed for		
Solid waste and recycling expenditures	63,944	108,572
Unassigned	-	(14,125)
Total special revenue funds	<u>66,293</u>	<u>101,350</u>
Capital Projects Funds		
Restricted for		
Capital outlay	-	13,185
Total governmental fund balances	<u>\$ 872,460</u>	<u>\$ 154,729</u>

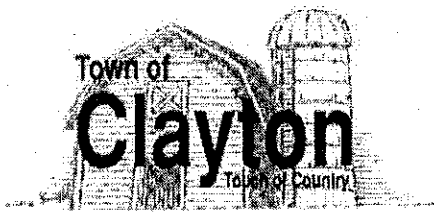
The unassigned general fund balance increased \$503,955 from \$(99,368) in 2018 to \$404,587 in 2019. The increase was mostly due to the sale of Town land in March of 2019. The Town has a minimum fund balance policy of 16% of actual current year general fund expenditures, not including debt service. The Town's minimum fund balance calculated to \$465,451. The Town's unassigned fund balance at December 31, 2019 is below the minimum fund balance policy.

CREATION OF TAX INCREMENTAL DISTRICT

During 2019, the Town created a Tax Incremental District (TID). The Town incurred some expenditures in 2018, before the adoption of the resolution to create the TID. Per the Wisconsin Department of Revenue TID manual, expenditures incurred prior to the adoption of the municipal resolution that are directly related to planning for the TID are considered eligible TID expenditures. Presented below is the annual activity for the Town's Tax Incremental District No. 1. The District currently has no annual tax increments. The Town currently presents the TID transactions in the Town's general fund.

	Current Year	Project to date as of 12/31/18	Cumulative through 12/31/19
Expenditures			
TID organizational costs	\$ 204,808	\$ 699,403	\$ 904,211
Administration	1,845	-	1,845
Professional services	462,782	-	462,782
Total expenditures	<u>669,435</u>	<u>699,403</u>	<u>1,368,838</u>
Net unreimbursed project costs	<u>\$ (669,435)</u>	<u>\$ (699,403)</u>	<u>\$ (1,368,838)</u>

APPENDIX



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March 19, 2020

CliftonLarsonAllen LLP
2200 Riverside Drive
Green Bay, WI 54305

This representation letter is provided in connection with your audit of the financial statements of the Town of Clayton, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of March 19, 2020 the following representations made to you during your audit of the financial statements as of and for the year ended December 31, 2019.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 3, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.
5. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. We have not identified or been notified of any uncorrected financial statement misstatements. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
10. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
11. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
12. We are unable to determine the possibility of a withdrawal liability in a multiple-employer benefit plan.
13. We do not plan to make frequent amendments to our pension benefits.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. All communications from regulatory agencies, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices.
 - f. All communications from regulatory agencies, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We have a process to track the status of audit findings and recommendations.
12. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
13. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Town of Clayton, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

15. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
16. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
17. We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a subrecipient, was expended in an amount that cumulatively totals from all sources \$750,000 or more. For this representation, "award" means financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.
18. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
20. The financial statements properly classify all funds and activities.
21. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
22. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
23. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
24. Provisions for uncollectible receivables have been properly identified and recorded.
25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
26. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
27. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
28. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.

29. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
30. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
31. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
32. We acknowledge our responsibility for presenting the detailed comparisons of budgeted and actual revenues and expenditures and the combining balance sheet and statement of revenues, expenditures and changes in fund balances for nonmajor funds (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
33. As part of your audit, you prepared the draft financial statements and related notes, and state financial report. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and state financial report. We have also ensured that the entity's data are complete and received sufficient information to oversee the service.
34. We have evaluated the adequacy and results of the depreciation services performed and accept responsibility for the results. We acknowledge our responsibility for our depreciation schedules and have determined the methods and rates of depreciation and the salvage values used in the calculations. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your depreciation services; have made all significant management judgments and decisions; and have assumed all management responsibilities. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.
35. In regards to the depreciation and report preparation services performed by you, we have:
 - a. Made all management judgments and decisions and assumed all management responsibilities.
 - b. Designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee the services.
 - c. Evaluated the adequacy and results of the services performed.

- d. Accepted responsibility for the results of the services.
- e. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.

Signature: Tori Straw Title: Administrator
Tori Straw

Signature: Sabina Schiessl Title: Treasurer
Sabina Schiessl