



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 the Town of Clayton, Winnebago County, Wisconsin (Town) as of and for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 the audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we will consider the internal control of the Town. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the Town's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Any internal control related matters that are required to be communicated under professional standards are included later in this letter.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the schedules of proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, schedule of budgetary comparison – general fund, and schedule of budgetary comparison – solid waste/recycling fund as indicated in the financial statement's table of contents, which supplement the basic financial statements, was to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures did not provide us with sufficient evidence to express an opinion or provide any assurance, we did not express an opinion or provide any assurance on the RSI.

The schedule of detailed budgetary comparison revenues – general fund and schedule of detailed budgetary comparison expenditures – general fund included in the supplementary information were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we did not express an opinion or provide assurance on them.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Clayton are described in Note 1 to the financial statements. The Town adopted no new accounting policies during the year. We noted no transactions entered into by the governmental unit 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 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 Town's financial statements were:

Management's estimate of the useful lives of the capital assets is based on industry standards. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension asset and related deferred outflows/inflows is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the net pension asset and related deferred outflows/inflows in determining that it is reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statement were:

The disclosure of deposits and the related risks with them in Note 2 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risks associated with the Town's cash.

The disclosure of net pension asset and related deferred outflows/inflows and the related risk associated with it in Note 10 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risk associated with the Town's net pension asset and related deferred outflows/inflows.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management. We proposed adjustments to the Town's general ledger. Management has corrected all such misstatements. A list of corrected misstatements is attached to this management letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter, dated April 14, 2021.

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 Town of Clayton's financial statements or a determination of the type of auditor's 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.

Other Audit Findings or Issues

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Other Matters

In addition, we felt the other matters described in the following paragraphs were important to the operation of the Town. These matters may involve internal controls, general operations, recommendations for the adoption of policies and other such items that we feel will enhance the Town of Clayton.

Other Items

Governmental Fund Balances

Presented below is a summary of the Town's governmental fund balances on December 31, 2020 and 2019. This information is provided for assessing financial results for 2020 and indicating financial resources available at the start of the 2021 budget year.

General Fund	12/31/2020	12/31/2019
Nonspendable		
Advances to Other Funds	\$ 66,799	\$ 66,799
Prepaid Items	1,500	21,051
Restricted		
Park Improvements	9,891	7,965
Fire Department Improvements	27,213	23,763
Committed for		
Cemetery Expenditures	38,017	32,267
Capital Equipment Replacement	20,050	-
Sick Leave and Vacation Payout	27,922	56,268
Codification	6,782	-
Assigned for Subsequent Year's Budget		57,380
Unassigned	634,660	404,587
Total General Fund Balance	<u>832,834</u>	<u>670,080</u>
Debt Service Fund		
Restricted for Debt Service	<u>176,760</u>	<u>136,087</u>
Special Revenue Funds		
Nonspendable		
Advances to Other Funds	63,944	63,944
Restricted for		
Fire Department Capital Expenditures	1,150	2,349
Committed for		
Solid Waste and Recycling Expenditures	6,530	-
Total Special Revenue Funds	<u>71,624</u>	<u>66,293</u>
Capital Projects Funds		
Restricted for		
Tax Incremental District Activities	<u>340,412</u>	<u>-</u>
Total Governmental Fund Balances	<u>\$ 1,421,630</u>	<u>\$ 872,460</u>

The unassigned general fund balance increased \$230,073 from \$404,587 in 2019 to \$634,660 in 2020. The increase was due to the sale of land (\$725,208). 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 \$359,567. The Town's unassigned fund balance at December 31, 2020 is above the minimum fund balance policy.

Update on Tax Incremental District No. 1

Presented below is the annual report for the Town's Tax Incremental District No. 1. This report is required to be sent to Winnebago County, School Districts of Neenah and Winneconne, Fox Valley Technical College and Larson Winchester Sanitary District.

	Cumulative through 2020	Cumulative through 2019
Expenditures		
TID Organizational Costs	\$ 904,211	\$ 904,211
Project costs	8,692,159	462,782
Planning, administration and engineering	1,845	1,845
Interest and fiscal costs on debt	307,486	-
	<u>9,905,701</u>	<u>1,368,838</u>
Revenues		
Interest income	1,621	-
Premium on Debt Issued	310,653	-
	<u>312,274</u>	<u>-</u>
Net Unreimbursed Project Costs 12/31	<u>\$ 9,593,427</u>	<u>\$ 1,368,838</u>

The District has \$8,565,000 in external outstanding debt and an advance from the general fund of \$1,368,838 at December 31, 2020.

Closing

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestion with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We thank you for allowing us to be of service to the Town of Clayton. We received complete cooperation and appreciate your consideration of our comments and your implementation of suggestions.

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

KerberRose SC

KerberRose SC
Certified Public Accountants
Shawano, Wisconsin
April 14, 2021

Client: TOWN OF CLAYTON
Engagement: 2020 Audit
Current Period: 12/31/2020
Workpaper: Adjusting Entries

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
AJE01		WRS/OCS-5			
To reocrd Storm water WRS changes					
640-19100	19100 Pension Asset		7,706.00	0.00	
640-19210	19210 Deferred Outflows - WRS System		0.00	16,689.00	
640-28120	28120 Deferred Inflows - WRS System		0.00	4,738.00	
640-53441-998	998 GASB 68 Pension Expense		795.00	0.00	
640-29610	29610 Net Pension Liability		12,926.00	0.00	
Total			21,427.00	21,427.00	(795.00)
AJE02		N-01			
To reclass interest expense from principal					
300-58101-612	612 General Oblig Principal		0.00	12,500.00	
300-58100-620	620 Interest--G. O. Debt		12,500.00	0.00	
Total			12,500.00	12,500.00	0.00
AJE03		100-J-5-1			
Record CY Stormwater Depreciation					
640-18550	18550 Accum Depr - Mach/Equip		0.00	22,560.00	
640-18655	18655 Accum Depr - Stormwater		0.00	41,704.00	
640-53441-540	540 Depreciation Expense		64,264.00	0.00	
Total			64,264.00	64,264.00	(64,264.00)
AJE04		A-01			
Reclass Expenses per client request					
420-11110	11110 Checking Account - NNB		2,407.50	0.00	
420-57329-213	213 Planning Consultant		0.00	2,407.50	
640-53441-216	216 Engineering		2,407.50	0.00	
640-11110	11110 Checking Account - NNB		0.00	2,407.50	
Total			4,815.00	4,815.00	0.00
GASB10		100-J-6			
To record land sales					
GA-18200	Land		0.00	716,122.00	
GA-48210	Sale of Assets		716,122.00	0.00	
Total			716,122.00	716,122.00	0.00
GRAND TOTAL			819,128.00	819,128.00	(65,059.00)