

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2015

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
December 31, 2015**

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INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Clayton
Winnebago County, Wisconsin

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 Town of Clayton, Wisconsin ("the Town") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town'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 accounting principles generally accepted in the United States of America; this includes 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.

Auditors' 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 of 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 auditors' 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 auditors consider internal control relevant to the Town'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 Town'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Town as of December 31, 2015, and the changes in financial position for the year then ended in accordance with the modified accrual basis of accounting as described in Note A. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity, each major fund and the aggregate remaining fund information of the Town as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparison for the general fund and the solid/waste recycling fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements of the governmental activities 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 opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note D.4, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions on pages 32 and 33 be presented to supplement the basic financial statements. Such information, although not 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Financial Information

We have previously audited the Town of Clayton's 2014 financial statements, and our report dated April 13, 2015, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2016, on our consideration of the Town'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 the 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 Town's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
May 12, 2016

BASIC FINANCIAL STATEMENTS

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Net Position
December 31, 2015
(With Summarized Financial Information as of December 31, 2014)

	Governmental Activities	Business-type Activities	Total	
			2015	2014
ASSETS				
Cash and investments	\$ 5,088,271	\$ -	\$ 5,088,271	\$ 5,335,562
Receivables				
Account	10,723	-	10,723	25,097
Taxes	5,388,152	-	5,388,152	4,875,568
Special assessments	171,593	-	171,593	34,987
Internal balances	78,423	(78,423)	-	-
Inventories and prepaid items	5,562	-	5,562	119
Restricted assets				
Cash and investments	-	-	-	1,349,625
Capital assets, nondepreciable				
Land	-	981	981	981
Construction in progress	-	450,288	450,288	259,703
Capital assets, depreciable				
Machinery and equipment	-	85,500	85,500	81,000
Infrastructure	-	1,021,956	1,021,956	675,362
Less: Accumulated depreciation	-	(65,135)	(65,135)	(27,269)
Other assets				
Net pension asset	-	7,142	7,142	-
TOTAL ASSETS	10,742,724	1,422,309	12,165,033	12,610,735
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	-	9,130	9,130	-
LIABILITIES				
Accounts payable	40,337	5,005	45,342	571,496
Payroll liabilities	23,630	1,252	24,882	17,673
Accrued interest	-	804	804	1,587
Due to other governments	7,556,749	-	7,556,749	7,315,030
Escrow amounts held for others	-	-	-	10,906
Long-term obligations				
Due within one year	-	36,952	36,952	35,962
Due in more than one year	-	-	-	36,953
TOTAL LIABILITIES	7,620,716	44,013	7,664,729	7,989,607
DEFERRED INFLOWS OF RESOURCES				
Property taxes	1,340,417	-	1,340,417	1,166,681
Special charges	501,421	-	501,421	424,361
Other	990	-	990	635
TOTAL DEFERRED INFLOWS OF RESOURCES	1,842,828	-	1,842,828	1,591,677
NET POSITION				
Net investment in capital assets	-	1,456,638	1,456,638	916,862
Restricted for				
Impact fees	6,641	-	6,641	36,518
Pension benefits	-	16,272	16,272	-
Unrestricted (deficit)	1,272,539	(85,484)	1,187,055	2,076,071
TOTAL NET POSITION	\$ 1,279,180	\$ 1,387,426	\$ 2,666,606	\$ 3,029,451

The notes to the basic financial statements are an integral part of this statement.

Net (Expenditure/Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	
		2015	2014

\$ (355,555)	\$ -	\$ (355,555)	\$ (317,852)
(86,227)	-	(86,227)	(87,795)
(1,255,393)	-	(1,255,393)	(717,747)
7,114	-	7,114	2,393
3,923	-	3,923	2,881
(233,105)	-	(233,105)	(71,887)
(395,329)	-	(395,329)	(136,065)
<u>(2,314,572)</u>	<u>-</u>	<u>(2,314,572)</u>	<u>(1,326,072)</u>

	543,040	543,040	98,737
<u>(2,314,572)</u>	<u>543,040</u>	<u>(1,771,532)</u>	<u>(1,227,335)</u>

1,180,005	-	1,180,005	1,156,921
890	-	890	1,477
34,823	-	34,823	34,953
3,514	-	3,514	4,611
170,000	-	170,000	2,300,000
4,296	-	4,296	17,962
<u>1,393,528</u>	<u>-</u>	<u>1,393,528</u>	<u>3,515,924</u>

<u>(921,044)</u>	<u>543,040</u>	<u>(378,004)</u>	<u>2,288,589</u>
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2,200,224	829,227	3,029,451	740,862
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	15,159	15,159	-
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<u>2,200,224</u>	<u>844,386</u>	<u>3,044,610</u>	<u>740,862</u>
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<u>\$ 1,279,180</u>	<u>\$ 1,387,426</u>	<u>\$ 2,666,606</u>	<u>\$ 3,029,451</u>
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**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**

Balance Sheet

Governmental Funds

December 31, 2015

(With Summarized Financial Information as of December 31, 2014)

	General Fund	Capital Projects Fund	Solid Waste/ Recycling Fund	Debt Service Fund	Total Governmental Funds	
					2015	2014
ASSETS						
Cash and investments - unrestricted	\$ 4,458,353	\$ 487,635	\$ 142,283	\$ -	\$ 5,088,271	\$ 5,335,562
Restricted cash and investments	-	-	-	-	-	1,349,625
Receivables						
Accounts	9,116	1,607	-	-	10,723	25,097
Taxes	5,388,152	-	-	-	5,388,152	4,875,568
Special assessments	171,593	-	-	-	171,593	34,987
Due from other funds	80,548	-	-	-	80,548	86,941
Prepaid items	5,562	-	-	-	5,562	119
TOTAL ASSETS	\$ 10,113,324	\$ 489,242	\$ 142,283	\$ -	\$ 10,744,849	\$ 11,707,899
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 18,869	\$ -	\$ 21,468	\$ -	\$ 40,337	\$ 570,264
Due to other funds	-	-	-	2,125	2,125	2,125
Due to other governments	7,556,749	-	-	-	7,556,749	7,315,030
Escrow amounts held for others	-	-	-	-	-	10,906
Payroll liabilities	23,630	-	-	-	23,630	17,673
Total Liabilities	7,599,248	-	21,468	2,125	7,622,841	7,915,998
Deferred Inflows of Resources						
Property taxes	1,340,417	-	-	-	1,340,417	1,166,681
Special assessments and charges	501,421	-	-	-	501,421	424,361
Other	990	-	-	-	990	635
Total Deferred Inflows of Resources	1,842,828	-	-	-	1,842,828	1,591,677
Fund Balances (Deficits)						
Nonspendable for prepaid items	5,562	-	-	-	5,562	119
Restricted for						
Capital improvements	-	489,242	-	-	489,242	1,349,625
Park impact fee projects	6,641	-	-	-	6,641	36,518
Committed for						
Cemetery	44,276	-	-	-	44,276	41,476
Capital improvements	194,963	-	-	-	194,963	87,201
Solid waste and recycling	-	-	120,815	-	120,815	87,056
Unassigned	419,806	-	-	(2,125)	417,681	598,229
Total Fund Balances (Deficits)	671,248	489,242	120,815	(2,125)	1,279,180	2,200,224
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,113,324	\$ 489,242	\$ 142,283	\$ -	\$ 10,744,849	\$ 11,707,899

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)

	General Fund	Capital Projects Fund	Solid Waste/ Recycling Fund	Debt Service Fund	Total Governmental Funds	
					2015	2014
Revenues						
Taxes	\$ 785,566	\$ -	\$ -	\$ 395,329	\$ 1,180,895	1,158,398
Special assessments	-	-	-	-	-	39,407
Intergovernmental	223,050	-	10,608	-	233,658	230,948
Licenses and permits	145,284	-	-	-	145,284	112,076
Public charges for services	39,460	136,606	314,346	-	490,412	318,108
Interest income	3,514	-	-	-	3,514	4,611
Miscellaneous	4,296	8,019	47	-	12,362	18,604
Total Revenues	1,201,170	144,625	325,001	395,329	2,066,125	1,882,152
Expenditures						
Current						
General government	409,636	-	-	-	409,636	379,151
Public safety	244,049	-	-	-	244,049	209,442
Public works	349,597	-	291,242	-	640,839	727,084
Health and human services	9,252	-	-	-	9,252	6,954
Culture and recreation	2,798	-	-	-	2,798	1,516
Conservation and development	160,894	12,101	-	-	172,995	29,613
Debt service	-	-	-	320,000	320,000	110,000
Principal of debt	-	-	-	75,329	75,329	26,065
Interest on debt	-	-	-	-	-	-
Capital outlay	119,364	1,162,907	-	-	1,282,271	1,080,194
Total Expenditures	1,295,590	1,175,008	291,242	395,329	3,157,169	2,570,019
Excess of Revenues Over (Under) Expenditures	(94,420)	(1,030,383)	33,759	-	(1,091,044)	(687,867)
Other Financing Sources						
Long-term debt issued	-	170,000	-	-	170,000	2,300,000
Net Change in Fund Balances	(94,420)	(860,383)	33,759	-	(921,044)	1,612,133
Fund Balances (Deficits) - January 1	765,668	1,349,625	87,056	(2,125)	2,200,224	588,091
Fund Balances (Deficits) - December 31	\$ 671,248	\$ 489,242	\$ 120,815	\$ (2,125)	\$ 1,279,180	\$ 2,200,224

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 782,352	\$ 782,352	\$ 785,566	\$ 3,214
Intergovernmental	248,467	248,467	223,050	(25,417)
Licenses and permits	108,900	108,900	145,284	36,384
Public charges for services	12,000	12,000	39,460	27,460
Interest income	3,000	3,000	3,514	514
Miscellaneous	-	-	4,296	4,296
Total Revenues	1,154,719	1,154,719	1,201,170	46,451
Expenditures				
Current				
General government	443,711	443,712	409,636	34,076
Public safety	216,589	216,589	244,049	(27,460)
Public works	398,440	398,439	349,597	48,842
Health and human services	8,746	8,746	9,252	(506)
Culture and recreation	4,700	4,700	2,798	1,902
Conservation and development	152,983	152,983	160,894	(7,911)
Capital outlay	52,500	52,500	119,364	(66,864)
Total Expenditures	1,277,669	1,277,669	1,295,590	(17,921)
Excess of Revenue Over (Under) Expenditures	(122,950)	(122,950)	(94,420)	28,530
Other Financing Sources				
Transfers in	40,000	40,000	-	(40,000)
Net Change in Fund Balance	(82,950)	(82,950)	(94,420)	(11,470)
Fund Balance - January 1	765,668	765,668	765,668	-
Fund Balance - December 31	\$ 682,718	\$ 682,718	\$ 671,248	\$ (11,470)

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Solid Waste/Recycling Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,608	\$ 608
Public charges for services	312,000	312,000	314,346	2,346
Miscellaneous	-	-	47	47
Total Revenues	322,000	322,000	325,001	3,001
Expenditures				
Current				
Public works	322,216	322,217	291,242	30,975
Net Change in Fund Balance	(216)	(217)	33,759	33,976
Fund Balance - January 1	87,056	87,056	87,056	-
Fund Balance - December 31	\$ 86,840	\$ 86,839	\$ 120,815	\$ 33,976

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Net Position
Proprietary Fund
December 31, 2015
(With Summarized Financial Information as of December 31, 2014)

	Stormwater Management Utility	
	2015	2014
ASSETS		
Capital assets, nondepreciable		
Land		
Construction in progress	\$ 981	\$ 981
Capital assets, depreciable	450,288	259,703
Machinery and equipment		
Infrastructure	85,500	81,000
Less: Accumulated depreciation	1,021,956	675,362
Other assets	(65,135)	(27,269)
Net pension asset		
	7,142	-
TOTAL ASSETS	<u>1,500,732</u>	<u>989,777</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension		
	9,130	-
LIABILITIES		
Current liabilities		
Accounts payable	5,005	1,232
Accrued and other current liabilities	1,252	-
Due to other funds	78,423	84,816
Accrued interest	804	1,587
Long-term obligations		
Due within one year	36,952	35,962
Due in more than one year	-	36,953
TOTAL LIABILITIES	<u>122,436</u>	<u>160,550</u>
NET POSITION		
Net investment in capital assets	1,456,638	916,862
Restricted for		
Pension benefits	16,272	-
Unrestricted (deficit)	(85,484)	(87,635)
TOTAL NET POSITION	<u>\$ 1,387,426</u>	<u>\$ 829,227</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)

	Stormwater Management Utility	
	2015	2014
Operating Revenues		
Storm water management		
Miscellaneous	\$ 166,973	\$ 163,122
Total Operating Revenues	<u>272</u>	<u>200</u>
	<u>167,245</u>	<u>163,322</u>
Operating Expenses		
Operating wages and benefits	9,681	-
Repairs and maintenance	21,226	35,014
Equipment rental	2,934	334
Operating supplies and expense	6,718	-
Outside services employed	6,277	6,725
Depreciation	37,866	20,118
Total Operating Expenses	<u>84,702</u>	<u>62,191</u>
	<u>82,543</u>	<u>101,131</u>
Operating Income		
	<u>82,543</u>	<u>101,131</u>
Nonoperating Revenues (Expenses)		
Interest on long-term debt	(1,222)	(2,394)
	<u>(1,222)</u>	<u>(2,394)</u>
Income Before Contributions	81,321	98,737
Capital Contributions	<u>461,719</u>	<u>577,719</u>
Change in Net Position	<u>543,040</u>	<u>676,456</u>
Net Position - January 1, as originally reported	829,227	152,771
Cumulative effect of change in accounting principle	<u>15,159</u>	<u>-</u>
Net Position - January 1, as restated	<u>844,386</u>	<u>152,771</u>
Net Position - December 31	<u>\$ 1,387,426</u>	<u>\$ 829,227</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)

	Stormwater Management Utility	
	2015	2014
Cash Flows from Operating Activities		
Cash received from user charges	\$ 167,245	\$ 163,322
Cash payments to suppliers	(33,382)	(41,679)
Cash payments to employees	(9,542)	-
Net Cash Provided by Operating Activities	<u>124,321</u>	<u>121,643</u>
Cash Flows from Non-Capital and Related Financing Activities		
Due to other funds	(6,393)	21,355
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(79,960)	(152,310)
Principal payments on long-term debt	(35,962)	(37,085)
Interest payments on long-term debt	(2,006)	(882)
Net Cash Used by Capital and Related Financing Activities	<u>(117,928)</u>	<u>(190,277)</u>
Change in Cash and Cash Equivalents	-	(47,279)
Cash and Cash Equivalents - January 1	-	47,279
Cash and Cash Equivalents - December 31	<u>\$ -</u>	<u>\$ -</u>
Reconciliation to Statement of Net Position		
Cash and investments in current assets	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 82,543	\$ 101,131
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	37,866	20,118
Change in pension related assets and deferred outflows	(1,113)	-
Changes in current assets and liabilities	3,773	394
Accounts payable	1,252	-
Accrued and other current liabilities	-	-
Net Cash Provided by Operating Activities	<u>\$ 124,321</u>	<u>\$ 121,643</u>
Noncash Investing, Capital and Financing Activities		
Acquisition of capital assets	<u>\$ 461,719</u>	<u>\$ 577,719</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Statement of Net Position - Agency Fund
December 31, 2015
(With Summarized Financial Information as of December 31, 2014)

Sanitary District	
2015	2014
<u>\$ 2,374</u>	<u>\$ 2,374</u>
<u>\$ 2,374</u>	<u>\$ 2,374</u>

ASSETS
Cash and investments

LIABILITIES
Due to other governments

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Clayton, Winnebago County, Wisconsin ("the Town"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units except that the Town prepares its financial statements for the governmental activities on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they are both measurable and available and capital outlay and debt service principal payments are recorded as expenditures. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Town are described below:

1. Reporting Entity

The Town of Clayton is a municipal corporation governed by an elected five member board. In accordance with GAAP, the basic financial statements are required to include the Town (the primary government) and any separate component units that have a significant operational or financial relationship with the Town. The Town has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. Joint Venture

The Town was a participant with the Town of Winchester in a joint venture to operate a fire department during 2015. The joint venture ended in early 2016 and the Town established its own fire department. The joint venture also operated a first responder rescue service. In the joint venture, the Towns were obligated by agreement to finance operating and capital outlay costs of each of the services. The joint operation was governed by a board composed of members of each municipality. During 2015, the Town of Clayton remitted an appropriation of \$160,335 and the annual fire dues received from the state of \$18,138 to the fire department.

The Town accounts for its share of the operations in the general fund. Complete financial information for the joint venture can be obtained from the fire department.

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

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

The Town reports the following major governmental funds:

GENERAL FUND

This is the Town's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

CAPITAL PROJECTS FUND

The fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SOLID WASTE/RECYCLING FUND

The fund is used to account for financial resources to be used for the collection and disposal of refuse and recyclable items. Significant revenues are charges for services.

DEBT SERVICE FUND

The fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Town reports the following major enterprise fund:

STORMWATER MANAGEMENT UTILITY

This fund accounts for the Town's stormwater utility.

Additionally, the Town reports the following fund type:

The Town accounts for funds held for the Sanitary District in an agency fund.

4. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. The governmental activities and governmental fund financial statements are reported using the *current financial resources measurement focus*. With this measurement focus, only current assets, liabilities and deferred outflows/inflows of resources generally are included in the financial statements. Operating statements present increases (i.e., revenues and other financing sources received) and decreases (i.e., expenditures and other financing uses paid) in net current assets.

The modified accrual basis of accounting is used by the governmental activities and governmental funds. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, public charges for services and interest. Other revenues such as licenses and permits, other fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The business-type activities and proprietary fund are reported on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources associated with the operation are included on the Statement of Net Position. Enterprise fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized by the business-type activities and proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Unpaid enterprise fund service receivables are recorded at year-end. All capital assets are capitalized at historical cost and depreciated over their useful lives.

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

5. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

d. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the business-type activities column in the government-wide financial statements and in the proprietary fund. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Business-type Activities Years
Machinery and equipment	3 - 10
Infrastructure	40

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Compensated Absences

Compensated absences (unpaid vacation and sick leave) for governmental fund employees are recorded as expenditures in the year taken. The Town's policy is to pay one hundred percent of accumulated sick leave, not exceeding ninety working days, to employees who retire.

f. Long-term Obligations

In the government-wide financial statements and fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as interest and fiscal charges expense.

In the government-wide and fund financial statements, governmental activities and governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

g. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category in the government-wide statement of net position. The item is related to the Town's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items that qualifies for reporting in this category, property taxes, special assessments and other. These amounts are deferred and recognized as an inflow of resources in the subsequent year for which it was levied or in the period that the amounts become available.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Town Board. These constraints can only be removed or changed by the Town Board using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of Town management. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The Town has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

Equity is classified as net position and displayed in three components:

- Net investment in capital assets – Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constructions, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted net position - Amount of net position that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During November, the Town Board and officials prepare a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Town Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the governmental funds.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.

The Town did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2015.

2. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the general fund had actual expenditures in excess of budget appropriations for the year ended December 31, 2015, as follows:

Function	Excess Expenditures
General Fund	
Public safety	\$ 27,460
Health and human services	506
Conservation and development	7,911
Capital outlay	66,864

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

3. Deficit Fund Balance

The following fund had a deficit fund balance as of December 31, 2015:

Fund	Deficit
Debt Service	\$ 2,125

The deficit will be financed with future revenues of the fund.

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The Town maintains various cash and investment accounts. Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the Town's cash and investments totaled \$5,090,645 on December 31, 2015 as summarized below:

Deposits with financial institutions	<u>\$ 5,090,645</u>
Reconciliation to the basic financial statements:	
Government-wide Statement of Net Position	
Cash and investments	\$ 5,088,271
Agency fund Statement of Net Position	
Cash and investments	2,374
	<u>\$ 5,090,645</u>

Deposits of the Town are subject to custodial credit risk. Presented below is a discussion of the Town's deposits and the related risk.

Deposits with Financial Institutions

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The Town does not have an additional custodial credit risk policy.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015**

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2015, \$4,219,553 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits. \$4,112,557 was collateralized with securities held by the pledging financial institution or its trust department or agency but not in the Town's name.

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have an additional custodial credit risk policy.

2. Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Town.

The Town bills and collects its own property taxes, as well as taxes for Schools Districts of Neenah and Winneconne; Fox Valley Technical College; Larson Winchester Sanitary District; the County of Winnebago and the State of Wisconsin.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 981	\$ -	\$ -	\$ 981
Construction work in progress	259,703	471,410	280,825	450,288
Subtotals	<u>260,684</u>	<u>471,410</u>	<u>280,825</u>	<u>451,269</u>
Capital assets, being depreciated:				
Culverts	651,057	315,272	-	966,329
Retention ponds	24,305	31,322	-	55,627
Machinery and equipment	81,000	4,500	-	85,500
Subtotals	<u>756,362</u>	<u>351,094</u>	<u>-</u>	<u>1,107,456</u>
Less accumulated depreciation	<u>27,269</u>	<u>37,866</u>	<u>-</u>	<u>65,135</u>
Total capital assets, being depreciated, net	<u>729,093</u>	<u>313,228</u>	<u>-</u>	<u>1,042,321</u>
Business-type activities capital assets, net	<u>\$ 989,777</u>	<u>\$ 784,638</u>	<u>\$ 280,825</u>	<u>1,493,590</u>
Less related long-term debt outstanding				<u>36,953</u>
Net investment in capital assets				<u>\$ 1,456,637</u>

The increase of \$822,504 includes \$461,719 of capital assets financed by the Capital Projects Fund and transferred to the Stormwater Management Utility.

Depreciation expense was charged to functions of the Town as follows:

Business-type activities	
Stormwater management utility	<u>\$ 37,866</u>

4. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables between individual funds of the Town, as reported in the fund financial statements, as of December 31, 2015 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Deficits of Other Funds		
General Fund	\$ 80,548	\$ -
Debt Service Fund	-	2,125
Stormwater Management Utility	-	78,423
Totals	<u>\$ 80,548</u>	<u>\$ 80,548</u>

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2015:

	Outstanding 1/1/15	Issued	Retired	Outstanding 12/31/15	Due Within One Year
Governmental activities:					
General Obligation Debt					
Notes payable	\$ 3,290,000	\$ 170,000	\$ 320,000	\$ 3,140,000	\$ 325,000
Compensated absences	48,479	12,737	-	61,216	-
Governmental activities Long-term obligations	<u>\$ 3,338,479</u>	<u>\$ 182,737</u>	<u>\$ 320,000</u>	<u>\$ 3,201,216</u>	<u>\$ 325,000</u>
Business-type activities:					
General Obligation Debt					
Notes payable	\$ 72,915	\$ -	\$ 35,962	\$ 36,953	\$ 36,953

Total interest paid during the year on long-term debt totaled \$77,335.

At the end of the current fiscal year, the Town had total debt outstanding of \$3,176,953. The balance at December 31, 2015, consists of the following:

Notes Payable:

\$1,200,000 issued 5/16/2012; \$115,000 to \$135,000, due annually through 2022; interest 2.4% to 3.3%	\$ 875,000
\$2,300,000 issued 12/8/2014; \$210,000 to \$255,000, due annually through 2024; interest 2.0% to 2.6%	2,095,000
\$110,000 issued 12/1/2013; \$35,953, due in 2016; interest 2.75%	36,953
\$170,000 issued 10/13/15; \$82,684 to \$87,316, due annually through 2018; interest 3.0%	170,000
	<u>\$ 3,176,953</u>

Total Outstanding General Obligation Debt

\$ 3,176,953

Future maturities of principal and interest follows:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 325,000	\$ 68,350	\$ 36,953	\$ 1,016	\$ 361,953	\$ 69,366
2017	417,684	67,352	-	-	417,684	67,352
2018	427,316	54,167	-	-	427,316	54,167
2019	350,000	42,658	-	-	350,000	42,658
2020	365,000	33,316	-	-	365,000	33,316
2021-2024	1,255,000	51,233	-	-	1,255,000	51,233
	<u>\$ 3,140,000</u>	<u>\$ 317,076</u>	<u>\$ 36,953</u>	<u>\$ 1,016</u>	<u>\$ 3,176,953</u>	<u>\$ 318,092</u>

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2015 was \$20,537,452 as follows:

Equalized valuation of the Town	\$ 474,288,100
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	23,714,405
Outstanding general obligation debt applicable to debt limitation	3,176,953
Legal Margin for New Debt	\$ 20,537,452

6. Pension Plan

a. Plan Description

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

b. Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%

c. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$16,996 in contributions from the Town.

Contribution rates as of December 31, 2015 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

At December 31, 2015, the Town calculated an asset of \$41,784 for its proportionate share of the net pension asset. Because of the modified accrual basis of accounting used for the governmental activities, the portion of net pension asset applicable to the governmental activities is not reported on the Statement of Net Position. The portion of deferred outflows related to pension applicable to governmental activities is also not reported and pension expense related to governmental activities is reported on the modified accrual basis of accounting.

The net pension asset of \$41,784 was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension asset was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the Town's proportion was 0.00170112%, which was a decrease of 0.00007698% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the Town recognized pension expense of \$17,030.

At December 31, 2015, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 6,057
Net differences between projected and actual earnings on pension plan investments	20,234
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,776
Employer contributions subsequent to the measurement date	19,605
Total	\$ 48,672

\$19,605 reported as deferred outflows related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflows of Resources
2015	\$ 6,627
2016	6,627
2017	6,627
2018	6,627
2019	2,559
	\$ 29,067

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

e. Actuarial Assumption

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Asset:	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

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

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the Town's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
Town's proportionate share of the net pension asset (liability)	\$ (117,880)	\$ 41,784	\$ 167,881

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

7. Fund Equity

In the fund financial statements, portions of the governmental fund balances are committed by Town Board action. At December 31, 2015, governmental fund balance was committed as follows:

General Fund	
Committed for	
Cemetery care, maintenance, and improvement	\$ 44,278
Capital improvements	194,963
	<u>\$ 239,239</u>
Solid Waste and Recycling Fund	
Committed for solid waste and recycling	<u>\$ 120,215</u>

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015**

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Minimum Fund Balance Policy

The Town Board has adopted a minimum fund balance policy that the Town will maintain unassigned fund balance of 16% of actual current year general fund expenditures, not including debt service. The minimum fund balance amount is calculated as follows:

Actual 2015 General Fund Expenditures		\$	1,295,590
Minimum Fund Balance %			16%
Minimum Fund Balance Amount			207,294

The Town's total unassigned general fund balance of \$419,806 exceeds the above minimum fund balance amount.

NOTE D - OTHER INFORMATION

1. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Town completes an annual review of its insurance coverage to ensure adequate coverage.

2. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2015 and 2016 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2015 budget was 1.29%. The actual limit for the Town for the 2016 budget was 1.34%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

3. Contingencies

From time to time, the Town is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Town's financial position or results of operations.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE D - OTHER INFORMATION (Continued)

4. Cumulative Effect of Change in Accounting Principles

The Town has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, which revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The new standards recognize pension costs as employment services are provided, rather than when the pensions are funded. The cumulative effect of this change is summarized below:

	Business-type Activities
	Stormwater Management Utility
Net Pension Asset	\$ 12,201
Deferred Outflows of Resources	2,958
Total Cumulative Effect of Change in Accounting Principle	\$ 15,159

5. Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 requires measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also requires disclosures about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Town is currently evaluating the impact this standard will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Schedule of Proportionate Share of the Net Pension Asset
Wisconsin Retirement System
Last 10 Fiscal Years*

	2015
Proportion of the net pension asset	0.00170112%
Proportionate share of the net pension asset	
Covered-employee payroll	\$ 41,784
Plan fiduciary net position as a percentage of the total pension asset	\$ 242,794 102.74%

* The amounts presented for each fiscal year were determined as of the calendar year-end of the prior year.

See Notes to Required Supplementary Information.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Schedule of Contributions
Wisconsin Retirement System
Last 10 Fiscal Years***

	2015
Contractually required contributions	\$ 16,996
Contributions in relation to the contractually required contributions	\$ 16,996
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 242,794
Contributions as a percentage of covered-employee payroll	7.00%

* The amounts presented for each fiscal year were determined as of the calendar year-end of the prior year.

See Notes to Required Supplementary Information.

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Notes to Required Supplementary Information
December 31, 2015

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 68 AND 71

The Town implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68 for the fiscal year ended December 31, 2015. Information for prior years is not available.

NOTE B - WISCONSIN RETIREMENT SYSTEM

There were no changes of benefit terms or assumptions for any participating employer in WRS.

SUPPLEMENTARY INFORMATION

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Detailed Comparison of Budgeted and Actual Expenditures -
General Fund
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Government				
Town board	\$ 36,198	\$ 36,198	\$ 31,815	\$ 4,383
Committees	5,025	5,025	2,992	2,033
Elections	8,836	8,836	2,016	6,820
Legislative support	20,000	20,000	25,549	(5,549)
Administrator/Clerk	108,070	108,070	114,740	(6,670)
Treasurer/Assistant Administrator	115,000	115,001	111,426	3,575
Assessor	19,700	19,700	21,104	(1,404)
General office operations	43,300	43,300	40,773	2,527
Financial administration	6,000	6,000	8,705	(2,705)
Town hall	22,200	22,200	21,013	1,187
Insurance	30,550	30,550	31,104	(554)
General contingency	28,832	28,832	(1,601)	30,433
Total General Government	443,711	443,712	409,636	34,076
Public Safety				
Fire department	145,795	145,795	147,933	(2,138)
First responders	30,540	30,540	30,540	-
Building inspection	40,254	40,254	65,576	(25,322)
Total Public Safety	216,589	216,589	244,049	(27,460)
Public Works				
Wages	85,519	85,518	83,096	2,422
Operations	33,237	33,237	19,801	13,436
Contracted services and other	279,684	279,684	246,700	32,984
Total Public Works	398,440	398,439	349,597	48,842
Health and Human Services				
Animal and weed control	2,746	2,746	570	2,176
Cemetery	6,000	6,000	8,682	(2,682)
Total Health and Human Services	8,746	8,746	9,252	(506)
Culture and Recreation				
Clayton town park	1,250	1,250	1,820	(570)
Trail head park	3,450	3,450	978	2,472
Total Culture and Recreation	4,700	4,700	2,798	1,902
Conservation and Development				
Planning and zoning	152,983	152,983	160,894	(7,911)
Capital Outlay				
General government	10,000	10,000	3,862	6,138
Public works	7,500	7,500	84,053	(76,553)
Culture and recreation	35,000	35,000	31,449	3,551
Total Capital Outlay	52,500	52,500	119,364	(66,864)
TOTAL EXPENDITURES	\$ 1,277,669	\$ 1,277,669	\$ 1,295,590	\$ (17,921)

TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Detailed Comparison of Budgeted and Actual Revenues -
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Taxes				
General property taxes	\$ 771,352	\$ 771,352	\$ 771,352	\$ -
Interest on taxes	-	-	114	114
Managed forest land tax	-	-	340	340
Mobile home parking fee	11,000	11,000	12,870	1,870
Other taxes	-	-	890	890
Total Taxes	782,352	782,352	785,566	3,214
Intergovernmental				
Shared revenues	33,728	33,728	31,707	(2,021)
State aid in lieu of taxes - DNR	800	800	1,642	842
Exempt computer aid	950	950	802	(148)
Fire insurance	16,000	16,000	18,138	2,138
State transportation aid	162,089	162,089	162,089	-
Other state payments	1,900	1,900	672	(1,228)
County aid for bridges	25,000	25,000	-	(25,000)
Charges for services - Sanitary District	8,000	8,000	8,000	-
Total Intergovernmental	248,467	248,467	223,050	(25,417)
Licenses and Permits				
Building permits and inspection	45,000	45,000	77,089	32,089
Franchise fees	36,000	36,000	35,526	(474)
Liquor and malt beverage license	6,000	6,000	15,375	9,375
Culvert and access permits	7,000	7,000	9,100	2,100
Other business license and permits	6,900	6,900	5,650	(1,250)
Dog license	-	-	994	994
Zoning permits and fees	8,000	8,000	1,550	(6,450)
Total Licenses and Permits	108,900	108,900	145,284	36,384
Public Charges for Services				
Real estate inquiries	4,000	4,000	3,600	(400)
Cemetery	-	-	12,785	12,785
House numbers	2,500	2,500	2,280	(220)
Claytonfest	3,000	3,000	2,694	(306)
Parks	2,500	2,500	1,440	(1,060)
Hall rental	-	-	533	533
Impact fees	-	-	16,128	16,128
Total Public Charges for Services	12,000	12,000	39,460	27,460
Interest Income	3,000	3,000	3,514	514
Miscellaneous				
Other	-	-	4,296	4,296
TOTAL REVENUES	\$ 1,154,719	\$ 1,154,719	\$ 1,201,170	\$ 46,451

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

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

To the Town Board
Town of Clayton, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Wisconsin, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town of Clayton, Wisconsin's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated May 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Clayton, Wisconsin'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 Town of Clayton, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Clayton, Wisconsin's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control that could result in a Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2014-002 and 2014-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clayton, Wisconsin'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Clayton, Wisconsin's Response to Findings

Town of Clayton, Wisconsin's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Clayton, Wisconsin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Town of Clayton, Wisconsin'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 Town of Clayton, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
May 12, 2016

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Schedule of Findings and Responses
For the Year Ended December 31, 2015**

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
2014-001	<p>Segregation of Duties – Treasurer/Assistant Administrator</p> <p>Condition: The Town has a Town Treasurer/Assistant Administrator position to essentially complete all financial and recordkeeping duties of the general Town's operations. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.</p> <p>Criteria: Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.</p> <p>Cause: The lack of segregation of duties is due to the limited number of employees and the size of Town's operations. In addition, the Town has not conducted a risk assessment and analysis of its internal controls to identify compensating controls and other potential opportunities to enhance its control structure.</p> <p>Effect: Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.</p> <p>Recommendation: We recommend the Town Board continue to monitor the transactions and the financial records of the Town. We further recommend the Town complete a risk assessment and analysis of its internal controls to identify opportunities to strengthen and enhance controls over financial reporting.</p> <p>Management Response: Management believes that the cost of segregating cash receipts and cash disbursement duties from the related recording functions outweigh the benefits to be received.</p>

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2015**

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2014-002	Adjustments to the Town's Financial Records
Condition:	As part of our 2015 audit, we proposed adjusting journal entries that were material to the Town's financial statement.
Criteria:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Cause:	While Town staff maintains financial records which accurately report revenues and expenditures throughout the year, preparing year end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.
Effect:	Year-end financial records prepared by the Town may contain material misstatements.
Recommendation:	We recommend the Town designate an individual to obtain additional training in order to prepare the adjusting and closing entries. We are available to assist the individual in obtaining the understanding to prepare these entries.
Management Response:	Management is obtaining additional training and will continue to review previous year's journal entries made during the audit with the goal of eliminating adjustments in the future.

**TOWN OF CLAYTON
WINNEBAGO COUNTY, WISCONSIN**
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2015

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
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2014-003 Preparation of Annual Financial Report

Condition: Current Town staff maintains accounting records which reflect the Town's financial transactions; however, preparing the Town's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The Town contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner.

Criteria: The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.

Cause: Town management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

Effect: Without our involvement, the Town may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend the Town continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the Town is necessary to obtain a complete and adequate understanding of the Town's annual financial report.

Management Response: Management will continue to review and approve financial reports prior to issuance.

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2015.